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FINANCIALTIMES

JAPAN

Shocks to the corporate system

Section III

Monday July 15 1991

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Mitterrand joins forces

nuclear sites President François Mitterrand warned Iraq that France would join the US in any fresh mili-tary action if Baghdad failed

against Iraqi

to give full details of its nuclear programme. His remarks follow a similar

warning last week from Mr John Major, the British prime minister, and align the US, Britain and France, the main prosecutors of the Gulf war against Iraq, in a possible further military strike against suspected Iraqi nuclear sites. Page 16; Gulf states meet.

Start treaty close The US and Soviet Union were "very close" to negotiating the Start treaty to reduce long-range nuclear weapons on both sides as negotiators entered their fourth day of intensive talks. Page 18

Peace accord threatened Renewed violence between Croats and Serbs put in jeop-ardy the memorandum to implement the Brioni peace accord, agreed on Saturday night. Three policemen were reported injured in a gun battle between Croats and Serbs near Zagreb, the Croatian capi-tal. Page 16

China floods worsen Water levels in all big rivers in eastern China continued to rise, with more torrential rain forecast for some of the areas hit hardest by floods. Eighteen of its 30 provinces are affected, and more than 1,000 people have died. Page 16; China warns, Page 3

Cambodia hopes Leaders of the four Cambodian factions arrived in China's capital, Beijing, for a two-day meeting of Cambodia's Supreme National Council Diplomats were hailing the talks as the best hope for peace in 12 years of Cambodia's civil war. Page 3

larael lifts sanctions Israel's cabinet, following the lead of the United States, voted unanimously on Sunday to lift economic sanctions against

South Africa, Page 3 Seven die in 5 Africa Four people were shot dead and a fifth was burned to death in Johannesburg's black town-ships of Tembisa and Alexan-dria in a weekend of violence. Two people also died and five others were wounded in the

Earthquake strikes An earthquake measuring 6.6 on the Richter scale shook a region on the border of Afghanistan and the Soviet Union. There were no early reports of damage or casual-

eastern province of Natal.

Kurds kill pine Kurdish rebels fighting for a separate state in the southeast of Turkey, killed nine people, five of them children, in gun and grenade attacks, bringing the death toll in the area to more than 100 since the beginning of June.

Greek bomb blast A bomb blast in the northern Greek city of Salonika caused serious damage to the offices of the German airline Lufthansa and injured an employee of a nearby restaurant.

Volcano buries 40 More than 40 tribespeople sheltering in mountain caves in the Philippines were buried alive by volcanic debris, bringing the death toll to 435 people since the eruption of Mount Pinatubo began on June 9.

Mansell wins Briton Nigel Mansell won the British Grand Prix at Silverstone, seven day after his vic-

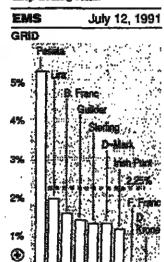
Business Summary Usinor tests

cost-saving steel process in France

USINOR SACILOR, Europe's biggest steel maker, has begun production trials in France using thin-strip casting tech-nology which could transform the industry's economics.

The process, also being developed by Japan's Nippon Steel, could give the French state-owned group an impor-tant technological lead in Europe, where producers are trying to cut costs by streamlining the complex traditional steelmaking process. Page 17

EUROPEAN monetary system: Sterling rode out Friday's cut in UK bank base rates because June's rather disappointing retail prices index, published the same day, led to specula-tion that further rate reductions might be delayed. The pound moved to the middle of the exchange rate mecha-nism, above the D-Mark. Thursday's Bundesbank decision not to raise official German interest rates helped to keep trading calm.



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent flucrencies in the EMS norrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish poseta operate with 6 per cent fluctuation bands.

HANSON, UK-based conglomerate, has its sights on a £2bn (\$3.2bn) slice of ICI's pharma-ceutical subsidiary. Chairman Lord Hanson is said to favour a 40 per cent stake. Page 17

PHILIPS, Dutch electronics group, is set to inject at least BFr3.5bn (\$95m) into Super Club, its 51 per cent owned loss-making Belgian video rental company. Page 19

COMMONWEALTH Bank, Australian state-owned bank in a A\$1.29bn (US\$980m) public flotation, has won solid underwriting support from institu-tions and brokers. Page 19 STANDARD & POORS, US credit rating agency, down-graded the claim-paying ability

ratings on UK insurers Sun Alliance, Legal & General, General Accident, Royal Insurance and Eagle Star. Page 19 ROSEHAUGH and STANHOPE, UK property companies with big assets in a joint company, will today confirm that they

are in merger talks. Canada's Olympia & York holds signifi-cant stakes in both. Page 17 VIDEO-PHONES:Leading European telecoms companies agreed to co-operate in develoning video-telephones for business use by 1993. Signatories include British Telecom. Deutsche Bundespost, France Telecom, Norwegian Telecom and PTT Telecom (Nether-

INDIAN AIRLINES, India's domestic carrier, is to spend \$2bn on replacing much of its fleet, with plans to buy 53 new aircraft over 10 years.

Gates 'less than candid' says former Customs chief

CIA may have stalled global probe of BCCI

including the Central Intelligence Agency - may have impeded the international investigation of the Bank of Commerce and Credit Interna-tional (BCCI), the Abu Dhabi-based bank that was shut down ten days ago after discov-

eries of widespread fraud. Former and current senior federal officials blame the US Justice Department, the Trea-sury, the CIA and the Federal Reserve as well as the Bank of England for dragging their feet in response to requests for information and assistance in the BCCI investigation.

Mr William von Raab, the

former US Commissioner of Customs, told the Financial Times and ABC News/Nightline yesterday that Mr Robert Gates, President George Bush's nominee as CIA director, appeared to have been "less than candid" about the bank's relationship with the intelligence agency shortly before the indictments of 84 individuals linked to the laundering of drug money by a BCCl subsidiary in Florida.

Mr von Raab's complaints about official stonewalling have been echoed by Mr Robert Morgenthau, the New York district attorney who for several months has vented his frustra-tion at the lack of co-operation he has received from the Fed and the Bank of England. Congressional criticism is also mounting over the reluc-

tance of US authorities to take early action over BCCI. Mr von Raab said Mr Gates described BCCI as "the Bank of Crooks and Criminals International" during a telephone conversation in October 1988.

"I thought this was the big-

gest case Customs had ever worked on," Mr von Raab said. "I asked Mr Gates for informa-tion on BCCI and what I received was well written pablum. It was of no value. It was information that was largely publicly available." Several weeks later, Mr von Raab discovered from British Customs agents in London that the CIA actually used the bank to make payments to individu-

als involved in clandestine CIA operations around the world. "If there was any material relationship between the CIA and the bank then Mr Gates misled me. If the allegations I've heard about the agency's involvement with the bank are true then what he gave me was



Robert Gates, pictured left with President George Bush, who has nominated him as CIA director, "failed to disclose" involvement in BCCI

BCCI receivers refused access to key report

The receivers of the two largest operating companies in the The receivers of the two largest operating companies in the Bank of Credit and Commerce International group have been forbidden access to the damning Price Waterhouse report which led to the closure of the scandal-ridden bank. As a result, they have been been left to piece together from scratch one of the most complex financial frauds ever. The receivers, from Deloitte Ross Tohmatsu, will also face difficulties in determining the bank's financial position before deciding whether it should be wound up. Details, Page 6. deciding whether it should be wound up. Details, Page 6

deceptive." Mr von Raab said. Mr von Raab said that throughout the US Customs investigation of BCCI there was "a distinct lack of enthusiasm" on the part of the US Treasury and the Department of Justice.

The CIA routinely uses US and foreign banks to channel issue facing US investigators is whether the CIA's use of BCCI went beyond routine transac-tions transactions and involved large-scale clandestine operations such as the covert financing of the Afghan rebels. The CIA said last night: "Any allegations of unlawful use of BCCI by the agency are without foundation."

Federal investigators are also looking at the use of BCCI in financial transactions connected to the 1985 fran-Contra arms-for-hostages scandal. Two of the major figures involved in Iran-Contra – Mr Adnan Khashoggi, the Saudi arms dealer, and Mr Manucher Ghor-banifar, the Iranian intermediary - channelled several million dollars through a BCCI account in Monte Carlo. according to documents obtained by a joint FT/ABC

investigation.

The nomination of Mr Gates as CIA director has run into trouble because of fresh evidence pointing to an official cover-up of CIA knowledge and involvement in Iran-Contra.

The Senate Intelligence Committee is investigating new allegations that Mr Gates was personally involved in a major covert operation by the CIA that funnelled US weapons technology to Iraq by way of Chile during the 1980s. According to a former CIA employee, Mr Gates supervised

the shipment of US cluster bomb, fuel air explosive and other technologies to Mr Carlos Cardoen, the Chilean arms dealer, who then used it to manufacture arms that were

sold to Iraq. The White House has denied that Mr Gates was involved in any covert Iraqi arms ship-ments and said at the weekend Mr Gates never met Mr Car-doen. But the former CIA oper-ative told the FT/ABC investigation he was present with Mr Gates and Mr Cardoen at a meeting in Florida in 1986.

Mr Gates, deputy national security adviser to President Bush, finds himself at the centre of a growing controversy about his activities at the CIA. Mr Bush, however, has vigor-ously defended his nomination of Mr Gates.

G7 criticism of Gorbachev reform plans

By Peter Norman, Philip Stephens, John Lloyd and Anthony Robinson in London

PRESIDENT Mikhail Gorbachev's latest plan to reform the Soviet economy ran into serious problems last night as it drew an unenthusiastic response from a majority of the Group of Seven summit countries and was criticised by one of the Soviet leader's own

advisers. Mr Grigory Yavlinsky, main author of a radical reform plan involving western assistance, drawn up with the help of US experts at Harvard University, said yesterday in Moscow that he would not travel to London with Mr. Gorbacher, as he had with Mr Gorbachev as he had

been invited to do. In London yesterday, Mr John Major, the British prime minister, and Mr Brian Mulro-ney, his Canadian counterpart, expressed disappointment with the 23-page letter outlining the plan that was sent last week by the Soviet president to the leaders of the US, Japan, Germany, France, Britain, Italy and Canada.

Mr Toshiki Kaifu, Japan's prime minister, who also met Mr Major, is also understood to feel that it raised more ques-tions than it answered and left unclear whether the Soviet leadership fully understands what is entailed in moving to a market-based economy.

Speaking at President George Bush's holiday home in Kennebunkport, Maine, Mr Brent Scowcroft, the presi-dent's national security adviser, complained that the letter did not lay out in detail Mr Gorbachev's economic pro-

Mr Yavlinsky's decision not to defend the Gorbachev pro-gramme publicly stems from his suspicion that it will incorporate too many elements from the Soviet government's anticrisis plan, published last

Although that plan has changed significantly in recent weeks, it remains vague in important matters and relies on administrative measures to stimulate production in the Mr Major and Mr Mulroney

expressed similar reservations about the contents of the Soviet letter. Mr Major said it was "clearly based on the Pav-lov plan" – a proposal that British officials have already

described as inadequate.

Mr Mulroney said he doubted whether the G7 would be able to respond to the Soviet proposals. "I do not believe

This announcement appears as a matter of record only

Gorbachev dominates from a distance France opposes wider rele for summit Japan seeks pact against

Profiles of the key players Page 2 Global savings shortage Page 6 Editorial comment .. Page 14

ntal Europe

that you will see either mira-cles or blank cheques from the G7 summit," he said.

The 23-page letter was delivered to Mr Major by Mr Evgeni Primakov, President Gorbachev's special envoy, on Fri-day, and distributed to other G7 leaders. While underlining the Soviet government's com-mitment to the political and institutional reforms needed for the transition to a market economy, it also called for understanding of the specific conditions in which the Soviet economy has operated up to

now and the social risks involved in change.

But British officials yester-day complained that the Gorb-achev proposals did not move far enough from the idea of the planned economy. They said the plan lacked practicalities. It appeared that the Soviet anthorities had no idea of what was entailed in privatising

The officials underlined that it would be very difficult talking to Mr Gorbachev about aid for the ailing Soviet econcany in the the absence of a sensible plan.

However, not all G7 countries are expected to take such a hard line over support for the Soviet Union. The German and French leaders, neither of whom had arrived in London yesterday, want the summit to offer Mr Gorbachev political support and hold out the hope of financial assistance.

President Mitterrand sent a letter to his G7 counterparts arguing that the west should take a first step to aid Presi-dent Gorbachev by increasing the finance available to Moscow through the European Bank for Reconstruction and

Development.
Chancellor Helmut Kohl of
Germany said he would try to
persuade other summit leaders
to help the Soviet Union in their own interest.

UK's Midland Bank had secret defence offshoot

By Richard Donkin, Jimmy Burns and John Plender in London

Midland Bank, one of whose subsidiaries had links with Britain's security services, incurred losses of at least £75m (\$120m) over the past decade. The losses arose in part from undisclosed fraud at one of the

The subsidiary, Midland International Trade Services (MITS), also employed a team of retired military officers on defence business for four years apparently without the know-ledge of the chief executive and other senior managers at the time the unit was set up. Sir Kit McMahon, who retired early as the UK bank's executive chairman earlier this month, disbanded the defence unit late last year.

Midland said this was because

he felt that such business

could be be handled in "sim-pler and more cost effective wavs". The existence of the losses within MITS and the closure of Midland's secretive Defence

A TRADE [inance arm of Equipment Finance Department, has emerged from detailed investigations by the Financial Times into a loosely knit group of companies whose ill-starred performance has never been fully revealed or explained to Midland share-

The problems of Midland's international business were not confined to the disastrous acquisition of Crocker National Bank in California in the early 1980s. According to one insider, the full losses incurred earlier by MITS, and never disclosed in Midland Bank's annual report, may have come closer to £100m.

The losses are detailed in the small print of the accounts of MITS and its UK subsidiaries filed at Britain's Companies House. At their highest point in 1963, they reached 248m, equal to more than 20 per cent of Midland Bank's total pre-tax Yet they were not separately disclosed to Midland's shareholders, unlike the provisions at Crocker, of which Midland's attributable share amounted to actroducable share arrounded to 268m that year, Nor were the MTS losses quantified in Midland's annual 20-F filing with the US Securities and Exchange Commission, which contained a detailed explanation of Crockers provisions.

tion of Crocker's provisions.

Midland executives say disclosure of the losses was not a
legal requirement at that time. The trouble at MITS, as at Crocker, seems to have stemmed from a failure by Mid-land's top executives to exert control over an unorthodox subsidiary that operated with a surprising degree of autonomy within the Midland group. The initial management response to losses appears to have been less than rigorous.

The saga raises fundamental questions of accountability both within Midland Bank Continued on Page 16

Tinker, Tailor, Soldier, Banker . . . Page 8

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THE MONDAY INTERVIEW



tory in France.

Alan Lord, chief executive of Lloyd's of Lonof crisis at the insurance market and suggests that the media has blown up what are, in essence, typical trading problems.

Q7: As the summit meets the world economy Telecoms: Alcatel of France has raised its US profile by buying a division of Rockwell 18 Car industry: Do car buyers in the UK pay more than their European counterparts?9 US banks: New proposals could restrict the BCCh Could regulators in the Cayman Islands have acted more swiftly against the bank? UK tax: Some fear that the new local tax may be just as unpopular as its predecessor14

FT SURVEYS THIS WEEK

Plant early for a Perennial Income: The summer edition of the FT Quarterly Review of Pereonal Finance looks at planning for retirement, at personal pensions, and charts the world's uncertain equity markets. It appears in Friday's FT, and is repeated on Saturday.

ETODAY:

Japan: the country begins the nervous nineties with political. economic and financial shocks. ETUESDAY :

Gatwick Business Region : recession aside, the world's fourth busiest airport provides strong impetus to its hinterland.

European Finance & Investment: Part 7: Germany : angst for the

average citizen.

B FRIDAY & SATURDAY: Quarterly Review of Personal Finance: (see panel left.) The Summer edition includes surveys on Residential Mortgages, and Personal Pensions

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activities of larger banks

12 Inti.Capital Markets 21 -Wall Street Letters Management UK Glits Monday Page 32 US Money and Credit ... 20 Money Markets . 14



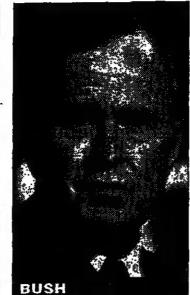
MR John Major, the British host, has set a series of modest but important goals, ranging from a commitment to completing this year the Uruguay Round of trade talks to the establishment of a new framework for relations with the Soviet Union

He has set as the theme for the summit — "Building an International partnership" — a phrase designed to encapsulate aspirations for a new world order n the wake of the Cold War and

the allied victory in the Guif. But for all the work that will go into drawing up commun on spreading the gospel of re-establishing regional security in the Middle East, the most important objective for Mr Major is personal and political.

Just eight months into his job as prime minister and a year at most away from a general election, Mr Major has to demonstrate he can equal Mrs Margaret Thatcher on the world stage. She attended the previous 12 summits and in many of them had an influence far in excess of Britain's diminishing status in the west

to demonstrate to his G7 partners and to his own electorate that he



like to see the G7 endorse a comprehensive growth strategy leading to lower real interest around the world, to stimulate recovery and assist reconstruction in central and eastern Europe, Latin America and the Middle

To this end he also wants to see a stronger commitment to early completion of the Urugusy Round and to the removal of structural rigidities which are hindering both trade and

The US wants the offer of economic reform to be accompanied by a strong emphasis on helping the countries of eastern and central Europe — notably by giving them greater

access to western markets, as the US foreshadowed on Friday by raising quotes on steel and textile imports from these Mr Bush will seek, informally, backing for his tough line on the need for full inspection and destruction of Iraqi nuclear tecilities. More formally, he will

back calls for a tighter regime of non-proliferation of weapons of mass destruction in the Middle East and restraint in the sale of



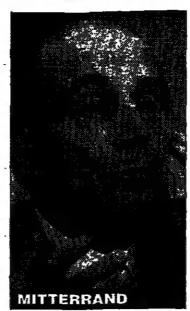
CHANCELLOR Helmut Kohl of Germany travels to London with two inter-related ideas in mind. The first is to obtain fresh western support for Soviet political and economic reforms; the second is to sesure President Mikhall Gorbachev that, in spite of the importance Bonn places on the relationship with Moscow, there will be no large infusion of aid unless Mr Gorbachev delivers

Mr Kohi has a greater interest in shoring up Mr Gorbacher's position than any other summit

This reflects a variety of factors: the continued presence of 350,000 Soviet soldiers in east Germany, the threat of Soviet emigration If chaos prevails, and the chancellor's personal debt of gratitude towards the Soviet leader for agreeing to German unity last year. But Mr Kohl does not want to

be singled out as an over-credulous believer in Mr Gorbachev's potential to survive. His advisers also admit that Bonn has no money for glad-handing gestures towards Mr Gorbache Bonn also intends to give a

clear signal of support for a successful conclusion of the Gatt telks - where Germany has been



of France travels to the summit intent on alleviating the debts of Third World countries, offering western help for the aconomic development of the Soviet Union and unblocking the deadlock in

The president will suggest the 33 per cent forgiveness of official debts agreed for the poorest countries at the 1988 Toronto of behavior ed bloods firmus at least 50 per cent.

France also wants to see more middle-income countries benefit from the 50 per cent debt and Egypt this year. Separately, it will push for the establishment of a development fund for Middle East countries.

Parts will also be pleading the cause of the Soviet Union and

arguing for its admission as an associate member of the BMF, with the understanding that it will later proceed to full membership. However, it is cautious on

na for western aid for the Soviet Union and argues that tuture assistance must coincide with an economic restructuring plan drawn up by Soviet authorities, French citics not expecting any large cheque to be given to Moscow



MR Giulio Andrectti, Italian prime minister, will focus on relations with the Soviet Union and, to a lesser extent, eastern Europe. His task will be to convince western partners to provide financial aid to the Soviet economy, but in such a way as

se the risk of infiat Aid should come via the International Monetary Fund and the new European Bank of the new European Bank of Reconstruction and Development both of which should be given

expanded powers, The political pre-condition, as far as the Italians are concerned is that Soviet authorities establish conditions for greater internal political stability, based on a tresty between the republics. The Italians betieve the Soviets must give the IMF a role in supervising the allocation and management of financial resources provided.

They will argue that financial help for the Soviet Union, if handled carefully, will boost world economic growth and international liquidity in general, without creating an inflationary spiral. They expect the summit to

They expect the summit to approve greater direct econor aid to the Soviet economy and non-financial moves to boost trade. The Italians think it would be impossible to send Mr Gorbachev home empty-be



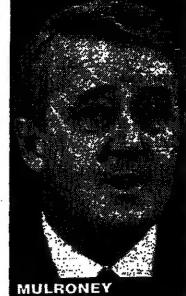
MR Toshiki Kaifu, Japanese premier, will aim to take a leadin role in the debate on arms contro and the environment and to urge caution in providing economic assistance to the Soviet Union.

On trade ((beraffsation, spanese officials have to bai the need to support open markets with the domestic political requirement to maintain a ban on rice imports.

Tokyo has targeted control of the conventional arms trade as an issue on which its internat political profile can be raised. Mr Kaifu is expected to submit a proposal that would call for increased monitoring of arms

He will also point out that Japan has already changed its foreign aid policy to limit assistance to countries considered to be putting undue emphasis on military spending at the expense of economic development. Japan opposes economic assistance to the Soviet Union, arguing that the Soviet military

resence remains formics like like iers to recogn claimed rights to the Northern Territories. At the same time, Japan is likely to offer assist



MR Brian Mulroney, Cenada's prime minister, will be hoping the G7 summit will go some way towards repairing his badly-battered image at home. An opinion poll earlier this month showed that two-thirds of Canadians would like him to

Pet projects which Mr Mulroney will be pushing include an international conference on monitoring arms exports; onference on the environme in Rio de Janeiro; and a piez that ald denors should not lorget needs of the Third World in the rush to

help eastern Europe. While Mr Mulroney has been rsuaded of President Gorbachey's reformist creden he does not favour the west loosening its purse strings for

Moscow just yet. As the world's third biggest wheat exporter, Canada is anxious for a political endorsement from G7 leaders for the successful completion of the Uruguay Round especially an agreement on farm subsidies. On the breader economic front, Mr Mulroney will welcome support for the Bank of Canada's priority of holding down inflation, rather than promoting vigorous econo

Hopes for involving group in talks with Moscow

France opposes wider role for G7 summits

By Peter Riddell, US Editor, in Washington



The dispute, which has wide-ranging implications for politisions in the post-Cold War world, has not been resolved by sharpas, or leaders' personal representatives, at preliminary meetings, and has been left for the leaders.

The immediate focus is a call from Britain, among others, for some kind of follow-on procedure to handle the G7's continuing discussions with the Soviet Union about economic reform after this week's meet-ing between President Mikhail Gorbachev and the G7 leaders. The G7 leaders accept that most of the detailed advice on

Soviet economic restructuring

FRANCE is will be handled by the Internadevelop the tries feel that, without creating arms non-proliferation.

Group of Seven new institutions and involving However, France the G7 in too much, there is a need for a more formal way for the G7 to keep engaged with

the Soviet Union.
This issue has become tied in with the broader question of the role of the G7. The finance ministers and central bank governors already have their regular meetings, at least four times a year, when interest rate and exchange rate ques-tions are discussed.

The US, with backing from some other G7 participants, has been arguing for more frequent political co-ordination. This is partly aimed at involving Japan and Germany, as well as the EC, more closely in international political discussions, since they are not among the five permanent members of the United Nations Security Council.
Some G7 participants have

welcomed this suggestion as a

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objecting to pro-tional Monetary Fund and the cal role which the G7 has posals to World Bank. But some coun-

However, France has expressed strong reservations, fearing the creation of some form of political executive or directorate which might reduce the significance of other leadership initiatives.

This partly reflects the desire of France to preserve as much as possible of the spirit of the annual meetings which it pioneered in 1975.

in practice, the character of the G7 has already changed substantially, with not only much greater concentration on political issues but also the involvement of the president of the European Commission and the head of the EC government holding the presidency of the council of ministers.

• Philip Stephens adds: The G7 is set to signal that the United Nations will be given a much more prominent role as the world's "policeman" in the wake of the Guif war.

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Japan seeks pact against continental Europe

JAPAN hopes to forge a free-trade alliance with the US, Canada and Britain inst continental Europe at the economic summit, according to senior Japanese government officials, writes Peter

The government in Tokyo has become increasingly frus-trated at delay in concluding the Urugusy Round of trade liberalisation talks and is also eeply disturbed by moves in the European Community to limit access to continental markets of products made by British subsidiaries of Japa-

nese companies.

It plans to make a vigorous defence of its trade policies at the summit and point out substantial concessions already made on the agricultural

The officials said Japan's soya industry had virtually disappeared as a result of trade liberalisation moves and its dependence on home grown grains had fallen sharply. Japan has also opened more of its domestic market for beef and citrus to foreign sup-

Gorbachev dominates from afar

By Philip Stephens, Political Editor

THE ghost was presiding over the banquet even before western leaders had began tucking into their hors d'oeuvres. As the limousines sped the

world's capitalist statesmen (there are no women now that Mrs Margaret Thatcher has gone) to and from Downing Street yesterday, Mr Mikhail Gorbachev was 1,500 miles away in Moscow.

His invitation to sit at the edge of the west's top table is valid only from Wednesday, after the formal proceedings of the 17th world economic summit have drawn to a close. The original plan, a British

official confessed yesterday, was that the G7 leaders (joined by Mr Jacques Delors of the ropean Commission just to make it complicated) would

hask in the media spotlight for a full two days before Mr Gorbachev was allocated a role. Mr John Major and his counterparts would by then have hammered out a comprehensive communique on their chosen theme of "building an international partnership". Mr Gorbachev would be invited to share in their wicelors.

share in their wisdom. It has not worked out like that. He may not be here but the Soviet president is dominating the summit even before it has started. His western hosts are said to be more than a little irritated.

Mr Major confessed that he had spent much of his Satur-day night studying the 23-page letter sent by Mr Gorbachev to press his case for massive western aid in restructuring any leftovers from the summit

Brian Mulroney of Canada he quickly found that none of the waiting reporters wanted to for the world economy or how it would bolster the United Nations. What did he think of the Gorbachev plan?
The British prime minister
was politie enough. He could

the Soviet economy.

As he emerged on the steps of Downing Street with Mr

not pass judgment until he had spoken to Mr Gorbachev. Mr Mulroney was typically rather more blunt: "I do not believe that you will see either mira-cles or blank cheques from the

G7 summit." So too were the British officials who commented later that Mr Gorbachev's hid for

banquet lacked the market practicalities to match its polit-ical eloquence. Mr Major, it seems, thinks that his Soviet counterpart does not understand how privatisation works. As Mr George Bush and his entourage swept into London last night, there were reliable reports that the US president shared the angst of his fellow summitteers. It is after all more or less accepted that Washington holds the spotlight at such

And yet. For all the talk of important deals to be done on world trade, regional security, terrorism and drugs, it was desperately hard to escape the impression that the summit leaders will spent most of the next two days doing one thing. Waiting for Mr Gorbachev.

Economists air views on Soviet reform

By Anthony Robinson, East Europe Editor

ON THE eve of President Mikhail Gorbachev's historic mission to London to reverse more than seven decades of isolation from the world econ-omy, debate still rages on the depth of Soviet commitment to

economic and political reforms. Invited by the European Bank for Reconstruction and Development (EBRD) to dis-cuss "the economics of transition", a debate between Soviet and western experts in London yesterday reflected the varying degrees of scepticism which Mr Gorbachev will confront at his meeting with G7 leaders. On the Soviet side Mr Abel

Aganbegyan, whose earlier attempts to stitch up compromise economic reform plans were dismissed by Mr Boris Yeltsin, the Russian president, as marriages "between a hedgehog and a snake", stated wearily that "we have destroyed the centrally planned administrative system without creating a market economy. We cannot stay in limbo for ever. We cannot recreate the command economy. We must go forward to the

He listed five priority areas for action - from halving the budget deficit to between 5-6 per cent of GDP, to creating a new VAT-based tax system, building a new commercial banking system, liberalising prices and making the rouble internally convertible. Professor Mario Nuti, from

the European Commission, argued that economic stabilisation was essential whatever the Soviet Union decided to do. Even if it tried to go back to the old system it would first have to start with a minimum programme of market stabilisation," he said. The real prob-lem in the Soviet Union, as in Yugoslavia, he added, was a lack of political consensus.
"As Yugoslavia has shown, a price stabilisation. Yugoslavia had an excellent stabilisation programme which fell apart on political differences between the republics and illegal printing of money by the Serbian banks," he said. Polish economists likened the Soviet situation to Poland

in 1961 when the Communist party, under General Wojciech Jaruzelski, attempted to impose "reform" by force. It took another decade of stugnation before a new non-

communist government in 1989 was able to replace the bank-rupt communist system with a market-orientated stabilisation "The Soviets can muddle on

like we did for another five years. They are still trying to improve the system, not replace it," concluded Profes-sor Grzegorz Kolodko of Warsaw. The point was underlined by veteran Hungarian econo-mist Professor Janos Kornai who stated bluntly: "You cannot go from socialism to capi-talism with the Communist party still in charge and you can't achieve transition to a

market economy if the military strongly object."

Mr Sergei Stankevich, the radical deputy mayor of Moscow, pointed out that the republics had already become the mein webbles of redical the main vehicles of radical reform and were insisting on greater sovereignty precisely because of lack of political will from the centre. Professor Yevgeny Yasin,

one of the authors of the origi-nal "500-day" reform pro-gramme warned of an impending social explosion with predictable consequences. But Mr Stankevich saw a glimmer of hope in the way some enterprise managers were adopting market methods and the speed with which com-modity exchanges and com-mercial banks had sprung up to make the beginning of a home-grown market system.

SUMMIT AGENDA

minimum political consensus is needed to go ahead with

M MONDAY July 15 1325 Heads of delegations arrive at

Lancaster House, greeted by Mr John Major. 1405 Group photograph (Garden Terrace).

1415 Discussions commence: Heads of delegation, foreign ministers, finance 2000 Separate working dinners: Heads of

delegation, foreign ministers, finance 2137 Heads of delegation attend "Ceremony of the Keys" at the Tower of London.

TUESDAY July 16

0830 Delegations arrive at Lancaster House.

0900 Heads of delegation and foreign ministers meet to agree political declaration. Later, plenary session. 1200 or 1430 Mr Douglas Hurd holds press conference to deliver summit's

political declaration. 1300 Separate luncheons: Heads of delegation, foreign and finance ministers.

1430 Plenary session resumes. 2000 Dinner with the Queen at Buckingham Palace.

2235 Musical entertainment at Buckingham Palaca. Overnight the sherpas work on the final communiqué.

WEDNESDAY July 17

0900 Plenary session. 1030 Mr Major gives end-summit press conference on economic declaration; heads of delegation continue to national press conferences.

END OF SUMMIT SUPPLEMENTARY PROGRAMME 1300 "Optional" luncheon for summit

participants. 1300 President George Bush meets President Mikhail Gorbachev.

1420 Group photograph. 1430 Working session between heads of delegation and President Gorbachev. 1830 Mr Major/ President Gorbachev hold a joint press conference.

2045 Evening working dinner at Number 10 with President Gorbachev and G7

THURSDAY, July 18 President Gorbachev holds bilateral The Financial Times (Europe) Ltd Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolististrasse 54, 6000 Frankfurt-ambain 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hago, Frankfurt/Male, and, as membera of the Board of Directors, R.A.F. McClean, G.T.S. Darner, A.C. Miller, D.E.P. Palmer, London Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Beidge, Ltd. 1991.

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INTERNATIONAL NEWS

Israel to lift sanctions on South Africa

By Hugh Carnegy in Jerusalem

THE Israeli government, following the example of the US, yesterday decided to lift sanctions it imposed on South Africa in 1987. But a ban on new military contracts will remain in place.

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ow just yet.

The right-wing coalition cab-inst, led by Mr Yitzhak Sha-mir, the prime minister, voted manimously to drop a ban on civilian trade, investments, official visits and cultural and sports links, originally put in place under strong pressure

from Washington. Israel joined the international sanctions movement reluctantly, having previously built up a close, often clandes-tine relationship with Pretoria. Any unease about the moral issue of ties to apartheid was overridden by the benefits of working with a fellow interna-

tional "pariah".

But the heart of the relationship was military co-operation, which yesterday's decision will which yesterday's necision will not restore. Before sanctions were imposed, the two coun-tries had built up a range of defence links, worth an esti-mated \$200m (£125m) a year to Israel South Africa's Cheetah combat aircraft, unveiled in 1986, was based on the Israeli Kfir-2 fighter, itself a copy of the French Mirage. Missile

boats and unmanned reconnaissance aircraft were among other hardware sold by Israel and there were widespread ser-vicing agreements.

However, the defence contracts were a source of considerable tension between Israel and Washington. Allegations have frequently been made in the US of extensive, clandestine defence links involving technology transfer from Israel to South Africa.

In October 1989, Mr Shamir's government adamantly denied a report on US television which it believed was deliberately leaked by the administra-tion - that Israel and South Africa were co-operating on building a long-range nuclear missile.

Independent defence experts were sceptical of that allega-tion. But the Israeli government makes no secret of the fact that some military tracts entered into before the 1987 sanctions decision were specifically excluded from the

 Israel yesterday announced the restoration of full diplo-matic ties with Congo, which became the ninth black AfriBeijing meeting seen as best hope for end to civil war

Cambodia factions gather for talks

By Yvonne Preston in Beijing

Cambodian factions began arriving in Beijing yesterday for a two-day meeting of Cam-bodia's Supreme National Council, convened and chaired by Prince Norodom Sihanouk. Cambodia's prime minister,

Hun Sen, is also due in Beijing for the SNC talks, which begin tomorrow. China has sup-ported the radical Khmer Rouge, enemies of Hun Sen in the long-running civil war. His visit this week will be the first to Beljing by an official Cambo-dian representative since the Phnom Penh government was installed by Vietnam in January 1979.
China has however been

swift to deny foreign reports that Hun Sen had accepted Beljing's invitation for a three-day official visit from July 22 to 24, a week after the SNC con-cludes its informal peace talks. A Foreign Ministry official said at the weekend China had agreed to Hun Sen attending the SNC meeting at the request of Prince Sihanouk. The Chi-nese side would receive the members of the SNC by treating them equally, he said, but reports of a three-day official visit did not "square with the fact". The visit had been seen by diplomats as reinforcing the belief that China was behind the Khmer Rouge's flexibility



Hun Sen, left: in Beijlug on the insistence of Prince Sihanouk, right

at last month's talks in Pat-taya, Thailand, which agreed a ceasefire, a halt to foreign military supplies and the establish-ment of the SNC under Prince

Sihanouk.
Diplomats in Beijing see the SNC talks, to be followed by a meeting of the five permanent members of the UN Security Council in the Chinese capital,

years of Cambodia's civil war. In Beijing the SNC must tackle the issue of demobilisa-tion, its extent and the role the United Nations is to play in

Richard Butler, the ambassa-dor to Thailand, was to have presented his credentials durmonitoring the ceasefire and organising free elections.

The Security Council members will meet in Beijing on July 18 and 19, immediately ing the Beijing meeting. This will not now go ahead but Australia is the first nation to establish such diplomatic links.

Australia's newly appointed ambassador to the SNC, Mr

China warns US of price rises if trade privileges revoked

CHINA has warned that US consumers would have to pay more for Chinese goods if Washington revoked China's Most Favoured Nation trade

For a country suffering large trade deficits with Japan and Europe this would be a serious matter, said an article in the Communist party newspaper, the People's Daily, at the weekend. The strongly-worded threat comes three days after the US House of Parameter the US House of Representa-tives voted to attach human rights and weapons trade con-ditions to MFN renewal. It said the US was China's

third largest trading partner and US exports to China accounted for around 13 per cent of China's total imports. It said US consumers would have to pay more for Chinese goods if MFN were revoked.

US investors in China, with trouble buying the raw materials they needed from the US and selling their goods back to

it, the article argued. The article is the second strong attack on the US over MFN and the congressional vote by the party newspaper in as many days. On Friday it criticised the US for linking trade to arms sales while being a big dealer itself.

President George Bush wants unconditional renewal of MFN. Both Houses of Congress must muster a two-thirds majority to prevent him from vetoing their legislation.

Human rights mission arrives

AN Australian human rights mission to China arrived in Beijing yesterday, the first of its kind and a further sign of a shift in Chinese policy since pro-democracy protests were crushed two years ago, writes Yvonne Preston.

However, the mission arrived with no detailed pro-

gramme and no clear idea of the degree of access its mem-bers would have. The legal and human rights The legal and human rights experts, politicians, diplomats and scholars will spend several days in China and Tibet, to assess human rights and initiate debate on the subject with Chinese officials.

Gulf states meet to discuss Kuwait security force

By Mark Nicholson

FOREIGN ministers from the six Gulf Co-operation Council states, Egypt and Syria gather in Kuwait today in an effort to resolve differences which have dogged the creation of a joint military force to protect the

emirate. However, the meeting, which was postponed from last week, is not expected on its own to iron out serious disagreements among the eight Arab states over the size, cost and composi-tion of such a force and the role of Iran in any Gulf secu-

rity arrangement. Mr Amr Moussa, the Egyp-tian foreign minister, sald last ek that it could take two or week that it count take two or three meetings to forge an agreement to replace departing US and British troops with an Arab force – the broad desire for which was set out in the March 6 Damascus declaration

By Robert Gibbens in Montreal

PWA of Canada has sold five of its Airbus 310 aircraft to Polaris Aircraft Leasing of the US, to be leased to Ruwait Airways for up to 21 months each. Polaris has the option of taking over three of the aircraft immediately and the other two at a later date.

PWA parent company of

PWA, parent company of Canada's second largest air-line, Canadian Airlines Inter-national (CAIL), will get about C\$50m (£27m) for each aircraft,

Kuwait, comprising units from the GCC countries (Kuwait, Saudi Arabia, Oman, Qatar, Bahrain and the United Arab Emirates), 10,000 Saudi Ara-

blan troops and 3,000 men each from Egypt and Syria. However, that deal has foundered amid Kuwaiti doubts about the cost and desirability of hosting large numbers of Egyptian and Syr-ian troops. Cairo and Damas-cus, for their part, disapprove of Kuwait's desire to have

some western military guaran-tee to underpin security. Egypt also has misgivings about giving any formal role in a security pact to han, which has been solicitously courting Gulf states in a drive to improve diplomatic and trade relations with its suspicious neighbours. No clear compromise propos-

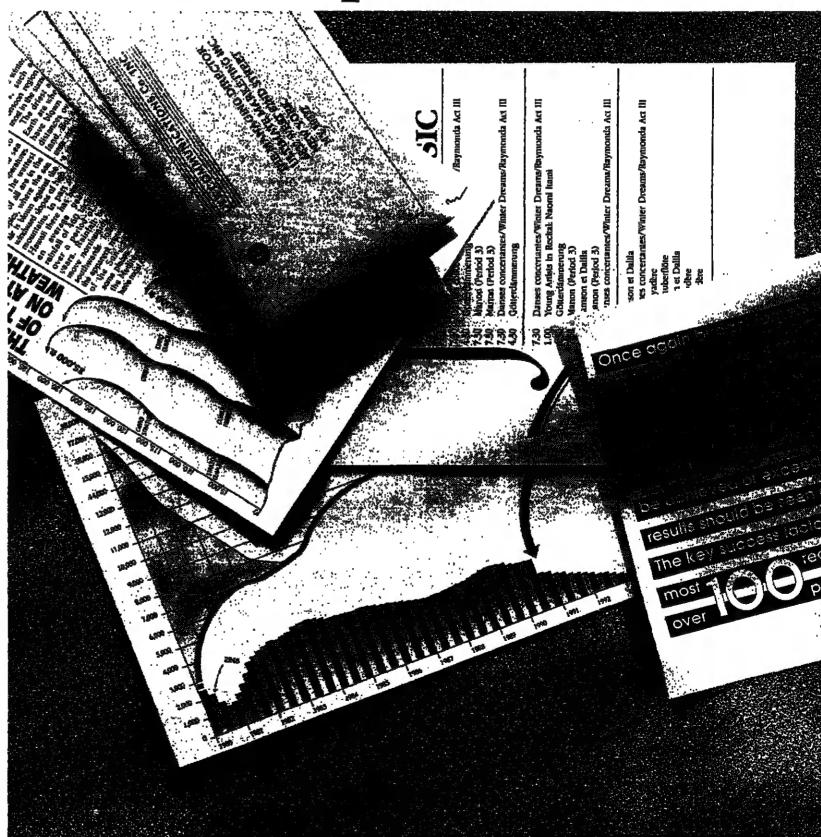
March 6 Damescus declaration signed by the eight Arab states after the Gulf war.

The eight countries appeared last month to have reached an outline agreement to station a 26,000-strong Arab force in No clear compromise proposals have yet emerged to resolve the eight states differences, although Oman is believed to be floating the idea of creating a 100,000-strong GCC army to police the region.

providing a much-needed cash injection of up to C\$250m. Both CAIL and the country's biggest airline, Air Canada, have been forced into losses by the 20 per cent drop in interna-tional airline travel caused by

recession and the Gulf war.
Three new Boeing 747 passenger/cargo aircraft scheduled
for delivery this summer to Air
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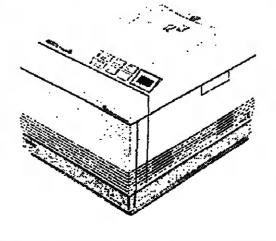
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THE POSSIBILITY MADE REALITY.

US banks may face tight curbs on expansion

By Peter Riddell, US Editor, in Washington

THE largest US banks would face tight restrictions on their scope to expand - both into new activities and geographi-cally - under proposals to be unvalled within a few days by

the Senate Banking committee Senator Don Riegle, commit-tee chairman, is also consider-ing a special assessment on all the assets of US banks so as to help refinance the nearly insolvent bank insurance fund, run by the Federal Deposit Insur-

This idea, backed by small community banks, would mean taking into account more than \$300m (£190bm) of deposits in foreign branches of US banks. These deposits abroad are a big source of funds for some of the largest, and strongest, US banks, which might consider restructuring their operations if they faced such an assess-

The Senate version of the banking reform bill is considerably less radical than the com-prehensive plan put forward by the US administration and the far-reaching measure adopted last month by the House Bank-

ing committee. Even so, the prospect that the Senate committee will approve a version within the next few weeks increases the chances that legislation to allow closely regulated changes in banking structure will be passed by Congress this

year. The draft from the Senate committee would not abolish outright the present ben on banks opening branch net-

Edith Cresson, French prime minister and a fierce critic of Japan's trade policies, AP

reports from Tokyo.

The protesters, some dressed military-style, dragged the headless effigy through Tokyo

Madame guillotined

works across state lines, but it would impose limitations. These are likely to include giving any state legislature three years to decide whether to let banks open branches in its state and allowing only well-capitalised banks to expand in

this way. Moreover, the Senate draft being circulated in Washington would also retain the current prevention of industrial and prevention of industrial and commercial groups owning banks. The administration had urged — and the House com-mittee had accepted - an end to this ban, though the House Energy and Commerce committee is also opposed to such as

The proposals prepared by the Democratic Senator Riegie would repeal the Glass-Steagall limits on commercial banks affiliating with securities and investment houses, but would insist on walls between the two types of operations so as to protect insured bank deposits. Banks would not be allowed to expand into the insurance

The Senate plan, like the House version, would also give the FDIC authority to increase its borrowing substantially so as to bolster its funds. Howate is likely to follow the House in retaining protection for multiple accounts at a single bank. Protection for deposits arranged by brokers and associated with pension plans

THE Turkish left-wing terrorist group Dev Sol yester-day claimed responsibility for a second fire bomb attack in as ever, defying the administra-tion's wish to curtail the scope of deposit insurance, the Senmany days against Turkish businesses in Brussels, AP and

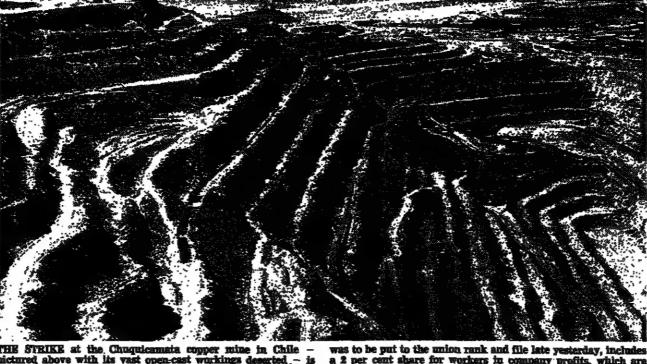
our Foreign Staff report. No-one was hurt and damage was limited in the attacks, said a police official. A talephone call to the Turk

ish newspaper Hurriyet said the assault yesterday on the Halk Bankssi bank was to draw attention to the shooting of 10 Dev Sol mambers by Turkish police on Friday in Istanbul. On Saturday, Dev Sol claimed responsibility for a fire bomb thrown at the Turkish DOZENS of Japanese right-wingers marked France's Bastille Day yesterday by beheading an effigy of Mrs the world with exports. Such remarks have led to Airlines offices.

businesses

in Belgium

All this follows a wave of protests in Europe in the past few days against the Turkish government's treatment of protests and vandalism at French companies in Tokyo. There were no injuries or Kurds in eastern Turkey. Yesterday in London, 70 Kurdish nationalists began a two-day hunger strike outside Westminster Cathedral



THE STRIKE at the Chuquicamata copper mine in Chile—pictured above with its vast open-cast workings described—is expected to end today. Management and union leaders at Chilean Copper Corporation (Codalco) reached an agreement at the weekend to wind up a two-week strike at the world's largest copper extraction undertaking, stated union and management jointly,

a 2 per cent share for workers in company profits, which are expected to be \$1.6hn this year. New benefits also include longer holidays and a one-off bonns of 325,000 pesos (£580).

The company, whose costs have risen by 25 per cent in the last five years, did not meet demands for a real increase in wages. But it will maintain the benefits in the previous contract, including free housing and health care, plus index-linked pay rises.

Turks attack | NEWS IN BRIEF Russo-Czech payment pact

A payments agreement by Czechoslovakia and the increasingly assertive Russian Federation could provide a model for reviving trade between the Soviet Union and eastern Europe, writes Leyla

Boulton in Moscow.

The accord, signed on Saturday, provides for Czechoslovakian trade with Russia to be paid for through a mixture of barter and cash actilements in both hard currency and national currencies, Tass reported yesterday.

Mr Vaclav Klaus, Czechoslovakian finance minister, signed the agreement in Prague with his Russian counterpart, Mr Igor Lazarev. The former said he expected to make similar agreements with other Soviet republics.

Support for Ukrainian currency

Mr Leonid Kravchuk, head of the Ukrainian government, has supported plans to introduce a separate currency, giving official, high-level support to a project previously championed in public only by opposition groups and lower members of the government, Chrystia Freeland reports from Kiev.

This was a sign that the Ukraine, the second largest Soviet republic, will stay on course towards sovereignty, in defiance of Kremlin pressures for it to join the eight republics which have already ratified the Soviet Union Treaty.

Bulgarian MPs on hunger strike

Bulgarian MPs on hunger strike have demanded the resignation of Mr Hristo Danov, interior minister, after four members were beaten by ministry troops on Friday, writes Ben Crampton in Sofia. The protesters demand a referendum on the country's new constitution, which they call "insufficiently democratic".

Peru's aid hopes hit by murders

By Sally Bowen in Lima

PERU'S prospects of attracting further foreign investment and international aid were dealt a blow by the killing at the weekend of three Japanese horticultural experts and the destruction of their Japanese funded research centre. The Sendero Luminoso

(Shining Path) Maoist guer-rilla movement executed the three Japanese last Friday, then dynamited the research facility and archives holding facility and archives holding results of years of work.

The selection of the Japanese project was een as a Sendero response to Japanese support of Peru's recent resumption of international financial relations. Tokyo has announced it would provide \$400m of the \$1.35m Peru needs to cover two years of repayments to multilateral lenders, this being the largest single contribution from Peru's support group abroad.

Peru's support group abroad.

EC ministers to debate Brussels farm reform plan By David Buchan in Brussels

EC FARM ministers will today take their first bite at the Buropean Commission's radi-cal farm reform plan, which will take most of this autumn

will take most of this autilian to digest and negotiate.

The plan aims at reducing food surpluses that have to be dumped on the world market with costly subsidies. It proposes cutting internal support prices (by as much as 35 per cent for correls) and naving cent for cereals), and paying compensation to farmers, who are also to be encouraged to take more land out of produc-

tion.

The plan, approved by the Commission last Tuesday, has already been criticised by most EC farming organisations, which claim that Brussels has given in to pressure from the Community's main negotiating partners in the General Agreement on Tariffs and Trade talks

British and Dutch farmers particularly have complained that farmens with larger holdings would not be fully compensated for price support cuts, a point which their minis-

ters are expected to underline at today's EC agricultural ministers' meeting.

Another controversial fea Another controversial rea-ture of the plan is its cost. The Commission predicts the BC farm budget, already strained to breaking point, would con-tinue to rise to Ecu38.8bn (£27.1bn) by 1997, before falling thereafter. UK officials believe that the Commission is believe that the Commission is being optimistic in predicting that world cereal prices would rise to the reduced level of the EC's internal support price and thereby remove any need for export subsidies.

The issue of removing distor-

tions in world agricultural trade is the main obstacle to progress in the stalled Gatt negotiations, which will be dis-cussed at the Group of Seven summit which opens in Lon-don today. Mrs Carla Hills, the US trade representative, and Mr Michael Wilson, Canada's trade minister, have both welcomed the Brussels Commission's plan as a necessary first stop to getting an overall Gatt

Moscow's stance key to European energy charter

By Andrew Hill in Brussels and Deborah Hargreaves in London

MORE than 50 countries and international organisations are gathering in Brussels today to threah out details for a European energy charter, aimed at helping the Soviet Union exploit its natural resources. The fundamental issue is

the degree to which the Soviet Union will be willing to accept an attempt to reform its energy policy along market lines to give confidence to western companies and bankers to invest in the industry," Mr Clive Jones, the European Commission's deputy director-

general for energy, said in London last week.

The Netherlands, which will chair the meeting, hopes the 35 full participants will be ready to sign a charter by mid-December, although today's discussions may be dominated

by procedural issues Negotiations will tackle details of the charter's financ-ing and decision-making pro-cess. Monthly meetings of par-ticipants — which include all EC countries, the US, Japan, and the Soviet Union - will then consider specific areas, such as nuclear safety, energy efficiency and the environment. These could become the subject of legally binding pro-tocols next year, once there is political agreement on the

The Soviet Union's position will be crucial to negotiations. In particular, delegates will want to know whether Moscow is happy to accept only a legal framework for energy reforms, or whether it wants specific funding, a request likely to be turned down by EC members.

arrests during the incident yes-terday, but the noisy protest at the embassy gate inconve-nienced guests arriving for July 14 celebrations inside. in an hour-long march to the French embassy, where they shouted anti-Cresson slogans

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In accordance with the terms and conditions of the notes, notice is hereby given that for the three months period from July 11, 1991 to October 11, 1991 the notes will carry an interest rate of 11.81250 pct (including the margin of 0.75

The coupon amount so calculated payable on October 11. 1991 will be £ 2,977.40 for the denominations of £ 100,000. Banque Générale du Luxembourg S.A. Agent Bank

CONTRACTS & TENDERS



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REF: RECP/EXP/TENDER-BROWN BASMATV2/91 DT: 07.7.1991

TENDER NOTICE

SUBJECT: EXPORT OF BROWN BASMATI PICE

Tenders on prescribed forms are invited for export of following quantities of rice on terms and conditions laid down in the tender

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PACKING 50 Kg single New Heavy cess Bags

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QUANTITY

100 tormes

TOTAL QUANTITY:- 1800 tonnes Tenders will be received in the Office of the Corporation up to

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of the Pakistan Embassies/Missions. Conditional tenders and
tenders for part quantities will not be considered. RECP reserves the
right to accept or reject any or all tenders without assigning any

MANAGER (EXPORTS-II) PHONE NO. 517021/32, EXT. NO. 215 FAX NO. 511402

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In accordance with the terms and conditions of the Receipts, notice is hereby given that for the interest period from 15th July 1997 to 13th January 1992, being the eighth Interest Payment Data (as defined in the terms and conditions), the Receipts will carry an interest rate of 7.35% per snaum, interest payable on 13th Jenuary 1992 will amount to Yen 365,493 per Yen 10,000,000 Receipt.

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(a) they have defivered to us at the address shown/below, no later than noon on 23 July 1991, written details of the dath livey claim to be due to them from the campany, and the claim has been duly admitted under the provisions of Rule 3.11 of the leading the provisions of Rule 3.11 of the leading that the leading the leading that the leading the leading the leading that the leading the leading that the leading

there has been lodged with as any proxy which the creditor infende to be used on his or her behalf.

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THE BCCI SHUTDOWN

Receivers forbidden to see damning report

By Bernard Simon in Grand Cayman and Richard Waters in London

THE RECEIVERS of the two largest operating companies in the Bank of Credit and Commerce International group have been forbidden access to the damning Price Waterhouse report which led to the swoop on the scan-dal-ridden bank ten days ago.

Inability to obtain the report means that the receivers have been left to piece together from scratch one of the most complex financial frauds ever.

It also means that the two, from international accounting group Deloitte Ross Tohmatsu, will face dif-ficulties in determining the bank's financial position before deciding bether it should be wound up.

It took Price Waterhouse three years and 10 specially-commissioned reports for banking supervisors before they finally penetrated BCCL

Price Waterhouse' reports, commis-sioned by banking regulators and subject to a statutory secrecy require-ment, cannot legally be shown to the

Special dispensation was granted by the High Court in the UK last week for the reports to be shown to two UK-based members of the receivership team, led by Mr Christopher Morris. However, they are responsible only for overseeing BCCI's UK branches and are prevented themselves from

showing the reports to anyone else, including their own colleagues.

These restrictions could hinder the efforts of the two receivers - Mr Brian Smouha, a partner of the UK firm Touche Ross and the commissioner (receiver) of the Luxembourg-based arm of BCCI, which owns the UK branches, and Mr Ian Wight, managing partner of the Cayman branch of auditors Deloitte Ross Tohmatsu and receiver for BCCI's extensive operations centred on the Caribbean tax haven. The Luxembourg and Cayman arms of BCCI are believed to have controlled the bulk of its busi-

ness around the world.

Mr Smouha, who is also expected to be appointed commissioner of the Luxembourg-based holding company this week, began work on BCCI less than a week ago with no previous knowledge of the bank.

His standing start, and the fact that his formal appointment was not made until Thursday, means that he has only just begun the complex task of building a full picture of the bank's affairs. He flew to Abu Dhabi on Friday night for talks with BCCI share-

Mr Wight said he has asked the local attorney-general for assistance in obtaining the Price Waterhouse report. He said that he has "no specific information" yet on the solvency

The Bank of England said that, if requested, it would seek court approval for other Touche Ross/De-

of the Cayman operations, and has yet to find evidence of fraud.
He emphasised however, that his investigations are still in a very early

loitte Ross Tohmatsu staff to see the reports, but that no request had been It is not known whether the UK

court would make the reports available to receivers of entities outside

Banking activities

may face isolation

By Bernard Simon in Grand Cayman and Farhan Bokharl in Karachi

AUTHORITIES in Pakistan are one of 29 BCCI offices conbeing warned that failure to close the three local branch of BCCI could jeopardise the country's international bankng relationships.

The bank's receivers are concerned that significant sums of money may be haemorrhaging through the Pakistani operations as long as it nains oden.

Mr Ian Wight, BCCI s receiver in the Cayman Islands, said in an interview that if the Pakistani central bank allows the office to con-tinue functioning, "they will be responsible to me for any funds that have been dissipated."

Mr Sibghatullah, an executive director of the Pakistan's central bank, confirmed yesterday that there had been contact with the Bank of England last week but would not elabo-

Pakistani banking officials who have been examining Mr Wight's powers have concluded

trolled from the Caymans. The receivers' influence there has so far been limited however, by the inability to find a suitable agent to represent them.

According to Mr Wight, it is

"too early to say" what

amounts have been paid out in Pakistan since the international swoop on BCCI on July 5. He said the branch still appeared to be open last Fri-

day.
The receivers have instructed solicitors to draft what Mr Wight called a "suitably worded release" emphasis-ing to BCCI branches and regulators in all countries where the bank operated the importance of protecting its

The warning will be cleared with the authorities in the Cay-man Islands before it is distributed. Securing the bank's assets around the world has been a high priority for the receivers over the past week. Among other things, locks have been changed on doors and vaults, computer keys have been replaced, and employees have been closely supervised.

The bank's 70 workers in the Caymans have been warned they face instant dismissal if they discuss its affairs with



FRAUD EVIDENCE

Bank denies long-term knowledge FIMS

By David Barchard

THE BANK of England has strongly denied suggestions that it had known for nearly a year and a half about possible fraud and wrongdoing at BCCI before it halted its operations. The Bank said yesterday that in March this year that it was presented with evidence for the first time indicating possible fraud inside BCCI. Until then, reports from Price Waterhouse, BCCI's auditors, only indicated that the bank

faced financial problems.

The Bank then asked Price Waterhouse to prepare a report on the bank under Section 41 of the Banking Act. This was followed by the closure of the bank on July 5. The Bank said yesterday:

There have been a number of reports by the auditor in recent years to the board of BCCI and to the regulators on the finan-cial conditions of BCCL

"The reports in 1990 certainly showed financial prob-lems but at the prompting of the auditors and the regulators, the appropriate financial

Sheikh Zayed bin Sultan al-Nahyan, ruler of Abu Dhabi, will today issue a strongly-worded statement attacking the Bank of England for closing BCCI and criticising Price Water-house, BCCI's auditors, for allegedly not detecting corruption at the bank years

Shelkh al-Nahyan, who leads a group of Abu Dhabi shareholders controlling 77 per cent of BCCI, believes that he had eliminated cor-ruption from the bank by the time of its closure.

support was given by the Until the Section 41 report which was received in June of this year, none of these reports had contained evidence of fraud or other wrongdoing of the find that."

The Bank of England was adamant that the report had only shown the financial prob-

need for its restructuring and a large injection of new capital. This was very different from what the Bank learned about BCCI in March this year when th was given evidence of fraud and false accounting at BCCI. Moves by the Bank to restructure BCCI under an Abu Dhabi holding company with new management were

lems of BCCI which revealed a

ed on the March 1990 Price Waterhouse Report. • The Labour party will attempt to maximise the government's embarrassment over the BCCI affair with a demand for a full enquiry into the circumstances of the failure.

cumstances of the failure.

Mr Gordon Brown, Labour's trade and industry spokesman, said that the BCCI collapse was emerging as one of the "higgest banking scandals in history". Labour would insist on a top-level inquiry to discover what the Bank knew about the bank's affairs before ordering its closure and when ordering its closure and when that information was available to the authorities.

Reserves of \$250m deposited

By Sally Bowen in Lima and Jimmy Burns in London

PERU deposited \$250m of its international reserves with BCCI following the country's conflict with the western banking community in 1986, according to Mr Hector Neyra, general manager of Peru's central

reserve bank.

The bulk of the funds was transferred to BCCI's branch in Panama after Peru was asked to withdraw its reserves from the Bank of International Settlements. The move occurre at a time when Mr Alan Garcia, then president of Peru, was set on a collision course with the IMF and western commercial banks over his refusal to

meet foreign debt payments. Mr Neyra said the central reserve bank's technical and legal department recommended putting \$100m in BCCI, then equivalent to about 10 per cent of its reserves, but the bank's board authorised the transfer increased by a further transfer of \$50m to BCCI's Panama branch. He believes that the bulk of the funds was eventually returned to the Peruvian central bank by the beginning

The attraction of the transfers appears to have been that the higher interest rate paid by BCCI on the deposits than that offered by other banks. The transfer of reserves to

BCCI was stopped and depos withdrawn in early 1968 after repeated warnings that Peru's reserves deposited with BCCI One warning came in an

August 7 1987 to officials of the erve bank by IBCA Banking Analysis Ltd, the main Lon-don-based bank rating agency. IBCA has confirmed that it had warned the Peru's central reserve bank that BCCI operations had in the previous es on its operations in the

options market and was using an "unusual accounting system" which did not allow the level of losses incurred to be clearly identified. The memo-randum recommended that in view of the high level of Peru's deposits in BCCI, these should be eventually transferred.

Peru's links with BCCI are at the centre of a Peruvian parila-mentary inquiry into allega-tions of ill-gotten gains while in office by the former president Garcia.

A close friend and party collaborator denied that Mr Garcia personally enriched himself on the deal. He was less inclined, however, to deny that funds had been siphoned off to secure APRA's future.

Mr Garcia's own position reflecting opinion over the BCCI scandal in many parts of the Third World, is that the sations of grafts and transfer of funds are part of a politi-cal conspiracy by the west.

EVEN THE owner of the Cayman Islands dog kennels Bernard Simon on the extent of concern in the suspected something was Caymans and questions about the action's timing amiss at BCCI. A week or two before regulators swooped on the bank's operations in the refuge for money launderers

the bank's operations in the Caribbean tax haven, the kennel owner tipped off a foreign banker that a Pakistani manager at BCCI had dropped off his dog and said he would not be back.

More telling signals that all was not well with BCCI's western hemisphere flagging were beginning the said of the back. and tax dodgers.

The BCCI affair is bound to complicate those efforts. On the other hand, it may prove to be a blessing in the long run. The bank's collapse will almost certainly sharpen regulators' focus on the few bad apples that remain among the 528 banks which funnel business

ern bemisphere flagship were also flashing long before the Cayman inspector of banks joined regulators in other parts through the relaxed British of the world in closing down the bank on July 5.
The islands' police commissioner has for more than two

years assiduously avoided social contact and one-to-one meetings with BCCI's local xecutives. "It seemed inevitable that we would be involved at some stage in an investiga-tion of that bank," says Mr Alan Ratcliffe, the commis-

world the point is being raised whether the authorities could have or should have acted sooner and more decisively against the scandal-ridden

The issue is of special relevance to the Caymans. Regula-tors and bankers have been trying hard - and with considerable success - to shake off the islands' shady image as a past year as a result of the worldwide restructuring of the group. As a result, the group's Cayman assets are estimated to be well below the 1999 fig-Suspicions about the Cay-man operation had surfaced in 1988 when it was implicated in

But BCCI's controlling shareholders in Abu Dhabi also set up three Cayman-based "realisation companies". Their main function was apparently to buy some of the bank's problem

The Caymans "It seemed inevitable that we would were a key link in the BCCI be involved at some stage in an chain. Incorpoinvestigation of that bank" - Mr rated there in 1976, the bank's Alan Ratcliffe, the commissioner operations reached a peak in 1989, with

US\$7bm (£4.24bm) of aseets. They revolved around three entities: BCCI (Overseas), Credit and Finance Corporation (CFC), and International Credit and Investment Co

ment structure, which was not directly controlled by BCCI but by a charitable trust understood to have links to the

CFC, which was used mainly as a trade finance and merchant banking vehicle, was

greatly reduced in size over the

loans, thereby removing them from its balance sheet. BCCI's Cayman receiver, Mr

Ian Wight of auditors Deloitte Ross Tohmatsu, has so far counted 29 foreign offices controlled from the islands. They include an agency in Mlami and subsidiaries as far-flung as Pakistan and Nigeria.

The Caymans operation employed 70 people, including about 20 Pakistanis. Both in business and socially, the Pakistani managers had little contact with other expatriate bankers on the islands. the conviction of BCCI in Florida on money laundering charges. Subsequently, a US Senate investigation has also turned to the Caymans as a possible link in BCCI's clandestine acquisition of shares in various US banks. Mr Wight says he has no

"specific infor-mation" yet on the solvency of the Cayman bank, nor has he yet found any evidence of fraud. been

Shown But he is still in the early stages of his work. Much of the past week has been spent setting up a team and securing the bank's assets both in the Caymans and

He hopes to provide a general outline of BCCI's financial condition within the next two

The receivers may also provide some leads to enable out-siders to judge the regulators'

In his annual address to the islands' banking community last week, Mr Nicholas Dug-

gan, the outgoing president of the Cayman Bankers Associa-tion, praised the inspector of hanks for moving "quickly and decisively" against BCCL Privately however, views are more ambivalent. Mr Duggan bimesh who is also managing

himself, who is also managing director of the Bermuda-based Bank of Butterfield's local subsidiary, says he warned the inspector a number of times over the past two years that bad publicity swiring around BCCI could hurt the drive to improve the islands reputation. Both the inspector of banks, Mr John Atkinson, and the assert that while they may

have had misgivings about BCCI, they had no firm evi-dence of wrongdoing. The inspector's office, which has only 12 staff to police over 500 banks, has on occasion in the past raised concerns about BCCI's operations and its financial condition, based on the bank's usual quarterly

returns. But the issues were apparently resolved to the inspector's satisfac-.Mr Atkinson, who is on sec ondment from the Bank of England, also emphasises that BCCI's Cayman operations can-

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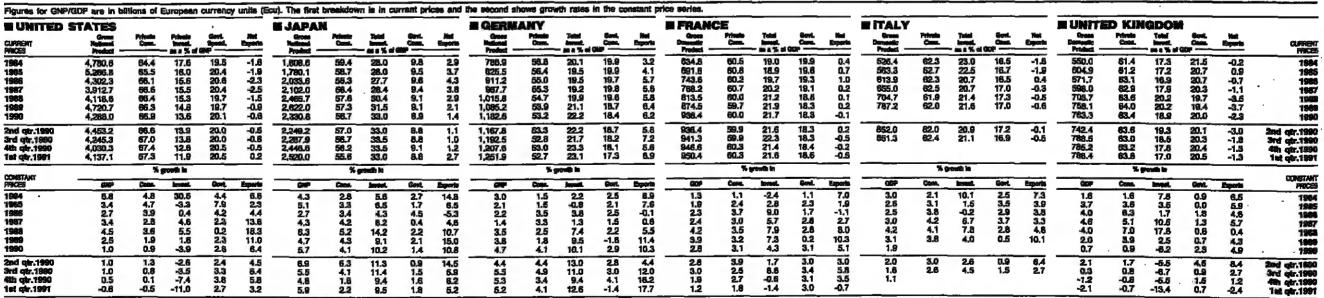
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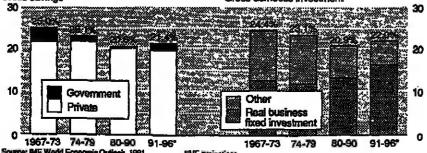
The head of a British bank's subsidiary adds that the regu-lator's situation was one where "If it's all right with the Bank of England, it's all right with

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS



estment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of substance change over the corresponding period in the previous year, and are positive

Trends in global savings and investment



Share of gross world savings, 1988 Share of gross world investment, 1988 Low & middle Low & middle income countrie 21.6% income countries 20.0%

Other high Other high income countries 4.3% OECD 74.0% Source: World Development Report, 1991

Is there a shortage of global savings?

THE SPECTRE of a global savings shortage is haunting the world economy, leaders of the Group of Seven industria-lised countries will be told at this week's summit. Rising demand for capital in eastern Europe and the Middle East and historically low levels of savings have raised real interest rates and threaten to depress world economic growth. In response, US policy-makers will call for

lower nominal interest rates. For developing countries, the savings "shortage" is an old story. Twenty years ago there was a net transfer of resources from the developed to developing countries. In the 1980s, notes the World Bank Development Report, there has been a net transfer of resources from the devel-

oping world. The explanation for the shift is the fall in developed country gross savings, as a percentage of total income, from 23.1 per cent in 1974-79 to 20.6 per cent in 1980-90. The fall in total savings is split between a 1.5 percentage point fall in private savings and a 1 percentage point tall in government savings. But the latter

represents a far greater proportionate

As a result of this development the aggregate current account balance of the industrialised countries - the difference between their total savings and investment - moved from a surplus of 1.1 per cent of total income in 1967-73 to a deficit of 0.3 per cent in 1980-90. In 1988 the OECD member countries

contributed 74 per cent of world savings, but accounted for 76.2 per cent of world investment. Low- and middle-income countries contributed 21.6 per cent of total world savings, but accounted for only 20 per cent of investment, transfer-ring the difference to the OECD.

One important caveat according to the data, the world saved \$135bn (£84.3bn) more than it invested in 1988 - the world ran a current account surplus with itself. Nevertheless, the trend is clear. The current account surplus of the lowand middle-income countries has risen from 0.1 per cent of world income in 1974-80 to 0.5 per cent in 1986-88; meanwhile, their investment has fallen from 6 to 4.5 per cent of world income over the This fall in investment by developing

countries was a response to the rise in real interest rates that accompanied the fail in world savings. In the 1950s and between 1 and 1.5 per cent, in the second half of the 1970s they became negative, whereupon they rose sharply to between 4 and 5 per cent. In the late 1970s financial institutions

ient heavily to developing countries. Rising real interest rates in the early 1980s, principally driven by the shift in demand for capital in the US, meant that many developing countries were unable to service these debts. As a result, funds available for investment in developing countries fell. The World Bank estimates a 1 percentage point rise in real interest rates cuts the growth rate of developing countries by 0.2 percentage points.
Unhappily, the IMF estimates the deficit of industrial countries will grow to 0.6

per cent of total income over the next five years. Similarly, the World Bank predicts that a rise in real interest rates will slow economic development still turther over the next few years. So the question is not whether there is

a shortage of savings - there always is - but whether the relation between ex ante supply and demand will shift still further. It is the policies of industrial countries that matter most: a 1 percentage point increase in the share of US savings in GNP would generate more than the greatest feasible demand for additional capital from eastern Europe and the Soviet Union.

Will there be a rise in savings in developed countries, perhaps through 4 fall in the US budget deficit? It seems unlikely. But two things are certain: lower short-term nominal interest rates will not increase the global supply of savings; turthermore, Japan should not be cajoled into reducing its current account surplus. With Germany now in deficit, Japan is the last of the big savers. The more Japanese save the better.

Edward Balls

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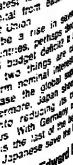
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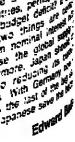
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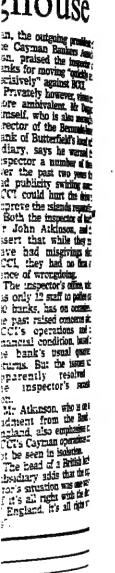
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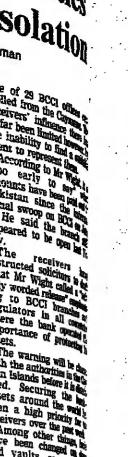


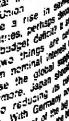


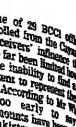


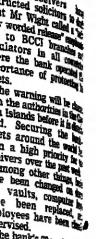








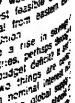












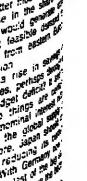




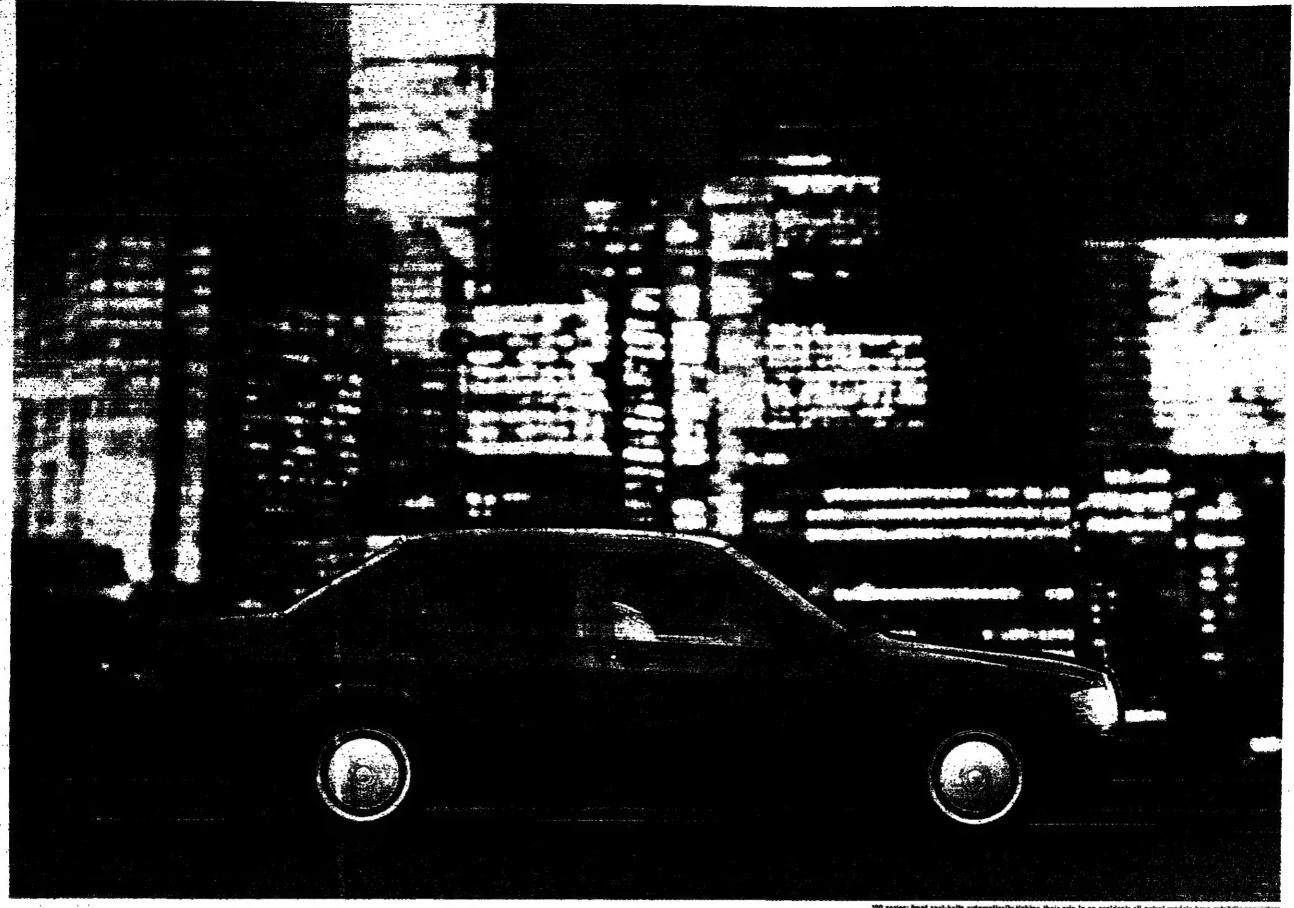












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Tinker, tailor, soldier, banker

Sir Kit McMahon retired as executive Sir Kit McMahon retired as executive chairman of Midland Bank last month, having struggled to overcome a disastrous legacy arising from the ill-judged takeover of Crocker Bank and the Third World debt crisis. But the hands-off management style the bank

applied to Crocker also afflicted other parts of the group, including a shadowy trade finance subsidiary whose culture was fostered in part by executives with links to British Intelligence. An absence of accountability led to questionable commercial practices and large losses. Richard Donkin and Jimmy Burns report

quiet Englishman called Dennis Skinner walked through the doors of Midland Bank in London to take up a management post before becoming the bank's represen-tative in the Soviet Union. body was found at the foot of his Leninski Prospekt apartment block in Moscow.

A London inquest ruled that he was unlawfully killed. Shortly before his death he had passed a note to a neighbour urging her to inform the Brit-ish Embassy in Moscow that there was a "spy in their own security forces". It added: "For God's sake do this or I'm

Mr Skinner remains an enigma. Even Mr Geoffrey Taychief executive of Midland at the time of Mr Skinner's death, says he was not privy to information on the former Moscow representative. He was clearly a no go area", says Mr

It now emerges that Mr Skin-ner was, in fact, recruited by Lord Armstrong of Sander-stead, Midland's chairman from 1975 to 1980. Lord Armstrong came to the bank after retiring as head of the civil ser-vice, where he had been widely regarded as the most powerful mandarin since the Second World War. As the man responsible for reorganising MI5 dur-ing the war he was intimately nected with the intelligence

services.

Midland will still not admit to a connection between Lord Armstrong and Mr Skinner. But one former senior execu-tive recalls a day after Mr Skinner's death in June 1988 when he reached into a cabinet and took out the dead man's personnei Die. in: empty except for a single note that referred to Mr Skinner's recruitment by Lord Arm-strong. When the same executive inquired about the arrangements for death in service benefits he was quietly told that everything had been taken care of.

The government has never acknowledged that Mr Skinner was working for British intelligence. But there were strong indications from the inquest and the flurry of diplomatic exchanges after his death to suggest that he may have been a most effective spy, and that his loss was a blow to Britain's intelligence gathering efforts in the Soviet Union.

At the time of the Skinner affair, it seemed an isolated incident. But this is not the case. During the 1980s, Midland operated a secretive defence sales unit, which engaged men with an intelligence or military background. Surprisingly, the was unknown to senior managers. Mr Geoffrey Taylor, the bank's chief executive when the unit was formed, insists be knew nothing about it.

The team was part of an export finance operation in Midland which suffered from ismanagement and fraud in the early 1980s. Both operations have since been run down, as Midland has strug-gled to focus itself on more conventional banking business. The climate of secrecy within the bank also fostered

Midland operated a secretive unit, which engaged men with an intelligence or military background

the belief that, to quote one former senior executive, as a matter of rule "there were some things you didn't ask questions about". This same nnquestioning approach also contributed to an atmosphere in which some doubtful corporate practices were swept mder the carpet.

MITS operation was hit by a number of problems and losses in the 1980s, including a hith-erto unrevealed Turkish fraud which hit its Swiss office (see below). These were put down to what some bank officials came to describe as "funny over as executive chairman of Midland in 1987 one of his objectives became to strip the bank of what a senior manager called "exotic consultants" and

> hanking culture. Sir Kit began to wind down the defence finance team and it was dis-banded altogether last year. The secretive environment in which MITS and its defence finance department grew can be traced back at least to 1974 when Lord Armstrong joined the Midland board. He became chairman the following year and is one of the most visible examples of what appears to be a succession of senior Midland figures with intelligence conctions that ran through the

Services (MITS) division, of which the defence finance

department was part. The

When Sir Kit McMahon took

return it to a more traditional

bank for many years. During his time on the Secu-Much of this culture of rity Executive that monitored secrecy centred on the bank's Midland International Trade the secret service from 1943 to 1946, he had responsibility for

the reorganisation of MI5.
It was Lord Armstrong who,

in addition to Skinner, recruited Sir John Cuckney, a non-executive director of Mid-land from 1978 to 1988. Sir John refuses to talk about his time in the intelligence services after the Second World War. But his early intelligence career as a "tough no-nonsense officer" in MI5 is recalled in Mr Peter Wright's book, Spy-

From 1974 to 1985, Sir John From 1974 to 1985, Sir John was chairman of International Military Services, the government-owned defence sales company. In 1984, the year before he left IMS and during his period on the Midland board, the bank established its special department to handle defence finance IMS was one of its cit. finance. IMS was one of its clients. Asked if he lent advice to Midland on how to expand its defence business and if he knew of the team of consul-tants, Sir John refused to com-

The Midland defence team, known as the Defence Equipment Finance Department, was formed partly to exploit the aggressive arms sales policies of the British government under Mrs Margaret Thatcher - especially to the Middle East and Asia – and partly to build Midland's links with a UK weapons industry that was

coming under growing compet-tive pressure from abroad. Mrs Thatcher was more directly involved in arms sales than many of her predecessors. This gave rise to an environ-ment in which arms sales became a priority against which Whitehall found it difficult to object on foreign policy or financial grounds.

The Midland team was well placed to exploit this climate, as illustrated by the events surrounding the signature by Mrs Thatcher of a 21bn defence deal with Malaysia in 1988, Her visit was preceded by a team from Midland's defence depart-ment led by Mr Stephan Kock, together with Ministry of a small delegation from Britain's Special Air Services. The main consortia were bid-

ding for contracts for a proposed special forces base at Mersing, close to Malaysia's East Coast. "Kock was there to ensure that Midland got a big slice of the action," said one former official. Mrs Thatcher only delivered

her speech of appreciation for the Malaysian deal after the Foreign Office had been successfully lobbied by one of Mid-land's military consultants to include a couple of paragraphs about Midland's proposed role in the financing. She alluded to the financing of the defence package as being an entirely UK operation headed up by Midland Bank.

The deal itself caused concern in the Treasury, where some officials were unhappy at the way in which the dividing the way in which the dividing line between credit guarantees for civilian and military aid given to Malaysia had been hurred.

There is also a good deal of

The defence finance team had as many as six different locations within the bank during its five year existence

blurring about just who set up the Midland defence sales m. Midland says it was the brainchild of Mr George Bar-rett, an entrepreneurial man who, while a career banker out of the solid Midland mould, was always looking for new ideas in banking.

This, however, is a matter of some dispute. Midland's ver-sion is contradicted by Mr Barrett who says he cannot recall

Defence and other officials and the existence of any such unit or any of the consultants attached to it. Many former Midland executives also deny knowledge of the department. But the unit did exist and

was used to arrange finance for UK defence exports. Mr Camp-bell Dunford, a former trade finance director at Midland, said the unit's formation was part of a deliberate strategy to compete more intensively with Morgan Grenfell in the defence finance market Midland recruited a number

of experienced military veterans as consultants, engaged for their extensive defence contacts and knowledge of prod-ucts. They were used to make initial approaches and introductions, and to describe the sort of services the bank could

The defence team worked within an area in the Cannon Street complex which, according to some former staff, was carefully veiled from other parts of the bank.

Interviews with some of the former officials in the department suggest that Midland was perhaps the most enthusiastic

pernaps the most entimenatic of all the banks in its pursuit of defence export financing.

Midland's involvement in a £270m defence package to Jordan, arranged by IMS in 1988, was publicly criticised by opposition MPs last year. Mr Allan Rogers, a Labour defence spokesman, said that he had warned the government two warned the government two years ago that British defence equipment supplied to Jordan was being passed on to Iraq. "Now the evidence is there – recaptured material that

could only have got to Iraq through Jordan." He said he had written to the prime minister's office to ask whether Mrs Thatcher had authorised preferential interest rates for Jor-dan. The office told him the information was commercially confidential.

Midland acted as the lead bank for financing some of the more sensitive Middle East countries. It won a tender to provide £250m in credits for iraq over the five years to the invasion of Kuwait, when Sad-dam Enssain, Iraq's president was engaged in a massive mili-tary expansion. Midland does not give a breakdown of its Iraqi trade financing but says that none of it was for defence

During the five years of its existence to 1990, the Midland defence team had as many as six different locations within

At its height the department's clients included Plessey, Astra and GEC. Plessey confirmed that during the 1980s it was among several UK. companies to which the Midland unit had proved "helpful". The company added: "It is a pity there still isn't one. We found the department useful. We are not exist to compent. We are not going to comment at all beyond that." Midland's use of ex-military

people to target specific defence contracts, on the other hand, did not impress its main rival, Morgan Grenfell, which took on career bankers to do such work during the 1980s. Senior Morgan Grenfell execu-tives regarded the strategy of using military consultants as naive rather than sophisticated. "We believed them to be useless and unnecessary, recalls one Morgan Grenfell banker.

As for the man responsible for winding the team up, Sir Kit McMahon, he has chosen not to comment on his reasons for doing so, or on the intriguing relationship between the UK's listening bank and White-



Friendly smile that hides a volatile nature

team's most interesting members was Mr Stephan Kock, a commanding man with a friendly smile that masks a more volatile side to his character. On occasions, while contracted as a consultant to Midland's defence sales unit, he overstepped the bounds of behaviour normally expected from a

As a one time officer in the Rhodesian Special Air Ser-vice Regiment and personal adviser to Sir Edgar White-head, former Rhodesian prime minister, he has the military bearing of an old soldier, given to wearing SAS cufflinks and tie. He has been known to use a gan to make his

Mr Kock b He has used a currently a non-executive gun to make director of Astra Hold-ings, the UK raunitions company. An

employees says he "served in both the Air Force and Army, including service in military intelligence and spe-cial forces. Following his military career he carried

the Foreign Office."
He is one of the few directors to survive the boardroom clearout after Astra's disastrous takeover of Poudreries Reunies de Belgique (PRB), the Belgian arms and explosives company. The deal is the subject of a Department of Trade and Industry inquiry.

On several occasions Mr Kock has boasted of his close connections with Mrs Thatcher. He told colleagues he was one of the few people trusted with the number of her private telephone when she lived at Number Ten. Mr Frank Biddle, former chairman of Biddle Holdin the air conditioning and lift company where Mr Kock was at one time a non-executive director, recalls one occasion when Mr Kock claimed that when Mr Kock claimed that he had dined with Mrs Thatcher the previous even-ing. Mr Biddle, however, regards the claim as being slightly overblown. I think there were a lot more people

there besides," he says.

sometimes fatherly approach to his associates, he is a man who has inspired fear smong some of his colleagues. One of them describes him as "urbane, extremely polished, charming, bluff, open and hearty" and in the next hreath admits that he experienced real fear after one tele phone conversation with Mr Kock, "And I don't frighten

easily," he says.
Indeed, Mr Kock has been at the centre of some bizacre happenings in recent years. in one of these, on January 15 1990, he was involved in a shooting incident. Two men were trying to

the dark on a lonely stretch of road at

At that point Mr Kock raised the gun and fired a single shot above their heads.

Mr Macmillan, who lives in nearby Clachan, says: "It's not the kind of thing that happens in the countryside in the middle of the night." Police who made inquiries at the time describe the case as "very delicate", because of Mr Kock's intelligence and dal services connections and the "big names" who provided references.

left his post with the team of consultants about a year ago. His solicitor, at the court hearing following the shooting incident, said Mr Kock's defence work had left him with an acute concern for his personal safety. Mr Kock was fined £650.

Sir John Cuckney appointed non-executive

• 1975-1980 Lord Armstrong of Sanderstead

responsible for reorganising MI5 during the

• 1978 Dennis Skinner appointed Micland

Second World War and was intimately linked

chairman of Midland Benk. He was

Bank representative in Moscow.

Every consultant in the unit was a military veteran, highly rofessional in his respective field, though lacking in banking experience. The team members were not all there at the same time - there were never more stage. They were: the non-flying arm of the service

their flying colleagues as "rock

Lord Armstrong

with British intelligence

military member of the team recruited to a full-time salaried

took over. He had been the viceadmiral in charge of naval the Falklands War and, before resigning from the service, was was involved in Global 86, a

Export Services Organisation. Brigadier John Shrimpton who was an assistant military deputy to the Defence Export Services Organisation before Joining the bank. At the beginning of 1973 he took part in another of the of military equipment which Mr Mike Williams, a former Air

himself as a test pilot in his service career and was an RAF instructor at Cranwell. Mr Stephan Kock, a former experience within the unit. including former directorships of Biddle Holdings, the lifts and heating group, and an existing non-executive directorship of Astra Holdings, the munitions and pyrotechnics manufacturar.

Sir Kit McMahon

• 1983 Dennis Skinner dies in Moscow

■ 1986 Sir Kit McMahon appointed chief

• 1987-1991 Sir Kit McMahon chairman

DEFD run down and then eventually

● 1984 Defence Equipment Finance

Department (DEFD) created.

executive of Midland Bank.

Commodore, who distinguished

member of the Rhodeslan Special Air Service Regiment. He had the most extensive business

contractors organised by the

Geoffrey Taylor

than three consultants at any one Mr Paul Cormack, a former wing commander in the RAF regiment referred to rather unkindly by

Mr Robin Hogg, a late recruit to the team after Sir Kit McMahon operational requirements during deputy commander in chief of the Fleet at Northwood, in 1986 he promotional tour of the third

Ministry of Defence's Defence government's floating exhibitions periodically sall around the world with the British Fleet on sales

THE DEFENCE TEAM

director of Midland. Described as a tough, no-

nonsense officer in his early intelligence career

• 1982 Midland International Trade Services

(MITS) formed. Geoffrey Taylor becomes

George Barrett becomes MITS chief

Midland Bank chief executive

KEY PLAYERS AND EVENTS

with MIS

Despite Mr Kock's claim apes". He was the only ex-Disquieting aspects of a fraud that got 'swept under carpet'

ON JUNE 12, 1985, the Turkish representative of Midland Bank in Ankara was summoned to the Central Bank of Turkey and told that been brokering commercial paper for a number of dubious transac-

What emerged over the next few days was evidence of a fraud related in part to business handled by the Swiss subsidiary of the bank's inter-national trade organisation, called Midland International Trade Services (MITS).

At the heart of the fraud was a

series of paper transactions widely used to pre-finance exports from countries like Turkey which have soft currencies. A Turkish com-pany, it emerged, had been making trade financing arrangements to fund exports which never existed.

The Bank of England was alerted and Midland immediately flew out a team of internal auditors from London. The team put together what was considered one of the most sensitive reports the bank had ever produced. Each of the 10 copies was numbered and distributed to named executives.

The document showed that some £50m was at risk in Turkey. In the event the Turkish central bank agreed to compensate participating hanks for the losses.

The disquieting aspect of the fraud, according to a senior executive who knew of the internal report, was not that it happened, or even that the bank had too few checks and balances when it did happen. What worried him was that Midland was "content to bury it." It took two years before any Mid-land executive involved in the inci-dent was dismissed. "The affair was swept under the carpet," says another former Midland executive. Midland International Trade Services is a little known name outside

Midland. But the problems that have dogged MITS go back more than a decade. Within the Midland Bank group it has been a longstanding source of controversy because of its unorthodox management style, its disproportionately large losses and the secrecy with which the Turkish fraud was handled. It was regarded by people in the

rest of Midland as a melting pot of colourful, exciting and at times downright odd banking practices. It began life as the London and American Finance Corporation, or LAFCO. In the early 1980s it faced mounting losses and Mr Geoffrey

Taylor, who became Midland's group chief executive in 1982, initigroup chief executive in 1982, min-ated a restructuring. A 25 per cent minority stake owned by Finance for Industry (FFI) was bought out (although FFI, now called 3i, retained a 25 per cent stake in LAFCO's US operation). At the same time LAFCO's name was changed to Midland International

Trade Services. Since Midland remained firmly committed to expanding its interna-tional business, Mr George Barrett, a Midland executive who had been in charge of aerospace, export finance and shipping, was appointed chairman of MITS, with a mandate to establish greater control over the operation and develop the

In an initial attempt to knock the company into financial shape the reorganised management team made provisions of more than £19m against losses in MITS subsidiaries in 1982. But the operation was not integrated closely into Midland Bank itself. It was, in the phrase of some Midland executives, a "bank within a bank". Mr Barrett, known in Midland as a tough, sharp banker, turned the company into his own fieldom.

This was not unusual in the Midland group. While the clearing bank itself was highly centralised and tightly controlled, Midland's non-bank subsidiaries had been kept on a losse rein. But the hands off style of management in the international area proved particularly damaging and losses at MITS continued to

Mr John Brooks, Midland's then deputy chief executive and Mr Michael Julien, the bank's first group finance director, set up an audit team to investigate losses that had surfaced in Mexico, Austria and

It was, says one former Midband executive, "a burning issue" within the bank; and had it not been for Midland's ill-fated takeover of Crocker National Bank in California in 1981 and the huge losses subsequently incurred there, the losses in MITS might have attracted more attention outside. Harris and Julien's investigation

led to further provisions being made against losses incurred in the

group in 1983 of nearly £48m. This

figure was equivalent to more than

20 per cent of Midland Bank's total

pre-tax profit that year. It made the difference between an increase in profits and the decline, from £251m to £225m, that was actually Yet the figure was not disclosed in Midland's annual report. Nor was

it referred to in Midland's annual filing with the the US Securities and Exchange Commission

In the accounts of MITS and its UK subsidiaries filed at Companies House the losses do not appear on

MITS was a melting pot of colourful, exciting and sometimes downright odd banking practices

the face of the profit and loss account. They emerge in the small print of the notes relating to movements on reserves.

the 1983 provisions, the trouble continued. Simmering discontent in Midland at the lack of accountability in MITS was ignored - or Mr Rudi Bogni, currently chief executive of Swiss Banking Corpo-ration, was chief financial officer of

Midland when he was drafted onto

Despite the tremor that ran through Midland over the size of

was nevertheless removed within six months by Mr Barrett after expressing misgivings about the way the operation was being con-It was in this environment of

nies. A widely respected banker, he

poor accountability that the Turk-ish fraud came to light.

The specific worry for Midland lay in 15 transactions in which MITS had agreed to broker paper brought to it by a Geneva company called Okemex. Okemex was a subsidiary of Hortas Desan, an Ankara company owned by Mr Kemal Hor-zum who was later extradited from Switzerland and jailed in Turkey for

commercial paper. Hortas Desan had a water bottlnortas Desan and a water ofti-ing plant and some of the paper was purportedly being used to finance its exports.

The problem was that there never

embezzling \$80m from Emlak, a Turkish bank guaranteeing the

were any exports to make the profits with which to pay back the bank for its finance.

An important step in executing the fraud was that Okemex found a big name bank to broker the paper. MITS Switzerland took the Okemex paper willingly, even though an experienced Geneva trader called Ocean Trade, which also specialised in brokering Turkish trade finance transactions, had earlier declined to become involved, claiming that the ransaction was not what it pur-

norted to be Ocean's suspicions were subse quently confirmed when Emlak dmitted that it had been defrauded by one of its managers. The Okemex paper had been guaranteed by Emlak's small branch in the Ank-ara suburb of Kizilay. More specifically it had been guaranteed by Mr Fikrit Ongen, the branch manager. One of the features of the fraud was that MITS Switzerland had been content on 15 occasions to con-firm the commercial paper against Mr Ongen's personal telex number at his home.

Bank procedures require officers to check the numbers of confirming telexes in a special manual that lists numbers at bank head offices for that very purpose. It was clear to the auditors and to those that read and digested the report of Midland's internal auditors that some-one in MITS Switzerland had been acting extremely oddly to have confirmed the commercial paper time

and again at the Kizilay manager's It took just five days over a long weekend between June 12 and June 17 1985 for the team to examine the transactions. But it was not until the following August and after five progressively sanitised drafts, that a final report was issued, warning that payment of claims might be withheld "because of alleged criminal practices at the Kizilay branch

Midland's formal exposure appeared at first sight to be small at a little under £1m. But the real exposure was potentially far greater because Midland had brokered the paper to other international banks, including Citicorp and Security Pacific. If those banks had not been compensated by the Turkish authorities for their losses in the

£50m fraud they might have been tempted to look to Midland for rec-

Even now Midland will not admit. to any more than a minor problem in Turkish trade financing. Yet sevin Turkish trade financing. Yet several aspects of the frand left lingering disquiet in parts of the Midland group. One was the poor profit, £350,000 on turnover of £45m, that MITS claimed to be making on this type of trade financing. Why also did no one at MITS Switzerland check the Okemex paper with Midland's Ankara representative, as had happened in earlier proposed. had happened in earlier proposed transactions involving Turkish

When the parent company of the MTS group came to sell most of its subsidiaries in the late 1980s it recorded a loss of more than 242m on the transaction. Today many of the original 23 companies within the independent trade finance operation have been relocated in the Midland Bank group. Midland's nag-ging problem over the past decade or more has been that it generates less profit for every pound of capital than its main rivals.

The losses incurred by MITS over a long period cast additional light on that problem and raise impor-tant questions for shareholders about an apparent lack of management accountability when Mr Geoffrey Taylor was group chief executive; about the degree of disclosure; and as to the effectiveness of the employees and consultants in the defence finance team.

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Mr MacMillan

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An argument developed between the two men. Mr MacMillan shouted to his

companion, warning that the man was armed.

Mr Kock was still with the Midland defence sales unit at the time of the incident. He

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companies

MANY SMALL UK companies risk heing faced out of business because of the high cost of meeting European Community requirements for product standardisation and cartification, a report from the Institute of Directors warns. ...

Directors warns.

Companies will have to comply with EC standards to qualify for a Community Mark if they want to sell their products throughout the community.

The report, published today, says the European Commission has overlooked the distortion to competition which was likely to arise between smaller and larger companies as a result of the moves to set community-wide standards backed by a certification process. by a certification process.

In many instances the cost of inspection and certification would not be insignificant, the report warus. For some smaller report warus, for some smaller companies, particularly those engaged in craft industries, the combined cost of monitoring equipment, inspection and certification could be so high as to threaten the existence of the

This would be a disincentive to the enterprise economy and would almost inevitably lead to a reduction in consumer

The institute fears that inspectors may concentrate on prosecuting minor infractions of the rules and on monitoring products manufactured outside neir own country. This would distort competi-

tion, devalue the entire stan-dardisation process and threaten a loss of support from the business community for the internal market.

the European Community. Director Publications. Tel

Retailers back VAT reclaim plan

By John Thornbill

MANY retailers, including Rathers Group, Dixons, Gleves & Hawkes and Mappin & Webb, are backing a campaign to raise awareness among over-seas visitors to the UK of VAT

Few foreign visitors from non-EC countries seem to be aware of their entitlement to a sware of their entersheld to a full refund on the VAT they spend on purchases. Spending in the UK by over-seas visitors has risen from £1bn in 1979 to £1.85bn in 1986

but represents a declining share of the total spent in Europe.

Europe Tax Free Shopping, a private company which oper-ates a cash refund service at London's Heathrow airport on behalf of several retailers, estimates that the UK's share has fallen from around 35 per cent

to 27 per cent.

It suggests that overseas visitors are deterred from spending more in the UK because they believe it has high prices. It says three quarters of them do not reclaim VAT.

Record for **National Savings**

By Philip Coggan, Personal Finance Editor

THE TOTAL invested in National Savings accounts and certificates reached a record of £37,14bn at the end of June, topping the previous high in October 1988.

There was a net addition to funds of £147.3m in June, largely because of extra investment of £115.4m in indexlinked certificates, the subject of a television advertising cam-paign. All the other accounts and bonds made net additions except for the fixed-interest certificates and the ordinary account. Children's bonus bonds, announced in the Budget, went on sale after the compilation of the latest figures.

Mr John Taylor, the director of savings, is retiring in Octo-ber and is to be replaced by Mr David Butler, the deputy direc-

> **GMAC** 79.5 Amet Backed Contilicate Series 1906 Euro-A

On July 15, 1991 halders of encourse from the Asset Backed Certificates will be entitled to a distri-bution, based on the certification of General Motors Acceptance Composition. The distribution for each original US\$10,000 p.s. of Certificates is US\$49.82.

MORGAN GUABANTY TRUST COMPANY

Warning of Treasury in move to correct model of the economy EC threat By Poler Marsh

THE TREASURY has asked an lows concern by some economists outside team of economists to cortain that the Treasury has paid insuffirect flaws in its computer model that simulates how the economy works, in an effort to improve the government's forecasting performance.

The move reflects worries in the
Treasury about its poor record,

which it shares with many privatesector forecasters, about predicting important economic variables sector forecasters, about predicting important economic variables as inflation and the trade deficit 1986-88 and the current recession.

The analysis by Strathchyde University's economics department follows:

The work, due to be finished in the autumn, is aimed at improving on mathematical equations in the

cient attention in recent years to researching underlying trends in the

Led by Professor Simon Wren-Lewis, the Strathclyde team is looking at how industrial activity and the supply of labour affect important economic variables such The work, due to be finished in

Treasury's model which are thought to operate poorly in representing what happens in the economy.

The study is believed to represent the first time in recent years that the Treasury has contracted to an outside group a fundamental piece of work on maintaining its model which is a set of computer software linking hundreds of economic vari-

In recent years, the Treasury has reduced its efforts in research that could be applied to maintaining its

model - an important element in its twice-yearly forecasts, although judgments and policy assumptions also play a important role. Much of the work was cut around 1987, during the time of Mr Nigel Lawson as

Professor Mike Wickens, an economist at London Business School, said the Treasury's fundamental work on research "had gone down-hill" over the past few years.

"The Treasury seems a bit rudderless [in its approach to economics

research]," said Prof Wickens, a former chairman of the Treasury's academic panel, which acts as a bridge between government economists and academic researchers.

Mr Peter Spencer, a former Trea-sury economist who is UK economist at Shearson Lehman, a City stock-broker, said the Treasury had failed to do its homework on understand-

ing the economy.

The Treasury said it had contracted the work on its model to the Strathclyde team because its own internal economics efforts were aimed mostly at short-term issues concerned with policy. Virtually all forecasters had had difficulty maintaining economic models in recent years due to fundamental changes in the economy, and the Treasury was no exception.

Prof Wren-Lewis said his study could be expected to provide new ideas on how factors such as wage levels, investment and industrial capacity influenced demand patterns and inflationary pressures.

Rug is pulled from carpet capital

IDDERMINSTER feels as though the recession has pulled the rug out from under its feet. Optimistic talk in Britain's carpet capital of an early end to the economic downturn is wearing Sandwiched between the

creeping urban sprawl of the West Midlands and the River Severn, "Kiddy" is being squeezed by the same pres-sures affecting local economies

sures affecting local economies around the country.

Of the 24 Chambers of Commerce in the West Midlands, Kidderminster's is usually ahead in detecting changes in the economy. "The first thing to suffer when the money gets tight is the carpet. They will always last a bit longer if they have to," says Mr Geoff Kershaw, chairman of the local chamber.

The Kidderminster Shuttle a local newspaper, not an airborne commuter route for airborne commuter route for Birmingham business people — carries weekly evidence of hard times. There are insolvency notices, "bargain, bargain sales", and pages of homes looking for buyers in a housing market which resolutely refuses to buck up.

Mr John Andrews, associate partner in Doolittle & Dalley, a local estate agency well-used to lokes about its name, says

jokes about its name, says prices are down by as much as 10 per cent and a spring revival has faded away. "Which way it goes from here is anybody's guess, interest rates are down but people with jobs are wondering whether they are going to keep them. Confidence is the key and there isn't any." Wyre Forest district council facturers — which no longer is feeling the the sharp end of dominate the local economy

Michael Cassell looks at the shake-out one town is experiencing as its main industry runs into

falling sales the shake-out. Mr Alan Dick, the chief executive, reports a "very marked increase" in the number of people seeking local authority accommodation, many because their homes

have been repossessed.

Even having a good time is more difficult in bad times, with attendances falling away at the local leisure centre. To add insult to injury, the town's first-eleven cricket team has just been thrashed by 10 wickets in the Birmingham league knockout cup.

Kidderminster is not the worst commercial blackspot in a region which did very well out of the 1980s, but it is being

given a salutary reminder that the economy has yet to have steady, sustained economic growth. Unemployment has risen from less than 4 per cent to about 9 per cent in less than 18 months. The number of job vacancies has fallen sharply

and most of the carpet manu-



but remain a significant part of it - are on short-time working. There are bright spots. Brin-tons Carpets, founded in 1873 and the largest employer in the Wyre Forest district, is looking beyond the current problems. The company plans to move into new headquarters which will allow for further expansion and ensure it the succession and ensure it the succession.

some of its competitors. The most spectacular casualty so far is Crossley, one of the largest UK quality carpet makers, which was acquired by Coloroll in 1987 as part of its ill-fated acquisition of the John Crowther textile group. Three years later, Coloroll was in receivership and 1,100 Kidderminster jobs were lost.

Crossley carpet stock is still swamping the market, making life still harder for the other manufacturers. The local papers still carry advertisements asking for ex-employees

Mr Kershaw says only 15 months ago employers were worried about shortages of manpower and of skills. But he reckons things are now as bad as they were during the last recession, and they will get worse: "There has been an ele-ment of confidence based on the belief that the government would not be stupid enough to et this situation continue in the run-up to an election.
"But the belief now is that

"But the belief now is that the recession is deeper and has moved faster than ministers ever envisaged. They may now be reaching for the brake but they can't find it and we are still going downhill."

There has, however, been a broadening of the area's eco-nomic base, with new high-tech businesses establishing

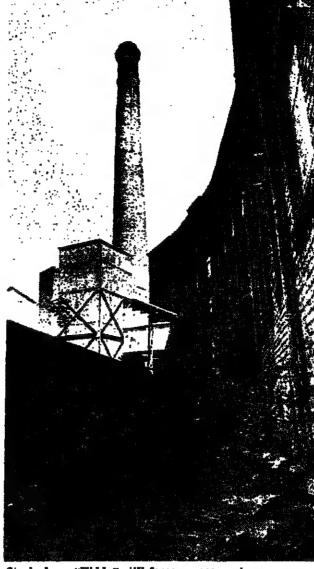
tech businesses establishing themselves and a growing furniture-making sector making good progress.
Small-business formations

have also been encouraging and the council reports that its "starter" units on three sites remain almost full.

Mr Anthony Coombs, Conservative MP for Wyre Forest, thinks the gloom is a bit overdone, and recalls a local unem-

ployment rate as high as 16 per He acknowledges that the local economy is suffering but says the position is "difficult, not cataclysmic". He will not be pinned down

on the timing of an upturn but adds: "When it happens, it will happen much more quickly than people anticipate Given the approaching gen-eral election, it cannot be soon



Stacked up: "Kiddy" still faces an economic squeeze

Downturn in financial services expected to last until 1992

By Richard Lapper and Rachel Johnson

upturn until 1992, according to a sur-

wey published today.

The joint survey by the Confederation of British Industry, the employers' organisation, and Coopers & Lybrand Deloitte, the consultancy firm, discloses that business confidence has fallen again in June after a sharp improvement in March — dashing previous hones that the decline in ing previous hopes that the decline in business volumes would end between

In spite of the government's insis-tence that the economy is on track for recovery in the second half of the

THE financial services sector is still year "hopes of an imminent end to in recession with no prospects of an the downturn have been dashed" months ago – was "the second best financial services was still declining fail. says the survey, which was carried out last month before the government cut interest rates by half a percentage

point on Friday.

The Treasury made a particular effort to downplay the latest gloomy news about the state of the economy. It said the survey, which has only appeared seven times, was of

unproven reliability.

It stressed that the survey's business confidence result of minus 13 per cent - the balance between the 19 per cent which were "more optimistic"

reading ever".

Companies were less pessimistic

now than at any time in 1990, but confidence "continued to weaken", according to the report. The business confidence of building societies, however, strengthened over the past nine

Although the decline in output in the second quarter was slower than in the three months to March 31, financial services companies continue to be severely affected by the low level of demand.

Among other results of the survey,

but at a slower rate, were:

The banking sector is worst affected. Falling business volumes and continuing high levels of bad-debt write-offs have offset benefits gained from reduced costs and increased

charges.

Of the banks questioned, 50 per cent raised their spreads in the last quarter — tending to confirm claims that cuts in base rates are not being passed on to customers. Some 45 percent of respondents increased the value of their fees and commissions.

 Building societies are beginning to benefit from lower mortgage rates, while a handful of life insurers report an improvement in their new busi-

 Overall operating costs remain a difficulty for many financial services companies, and most sectors have shed labour. Only building societies, venture capitalists and insurance bro-kers have bucked the trend.

Further shedding of staff is expec-ted during the next three months in banking, life insurance and fund man-

Economic gloom seen to lift in north-west

By lan Hamilton Fazey, Northern Correspondent

slowed and may have bottomed out in north-west England, the largest economic region in Britain after the south-east, according to results from a preliminary quarterly survey by the Manchester Chamber of Commerce and Industry to be published today.

The survey covers Greater Manchester and most of Lancashire, an area largely respon-sible for the north-west's 10 per cent contribution to the UK's

gross domestic product.
The chamber's survey of the second quarter of this year shows that, while more than 40 per cent of businesses reported continuing falls in deliveries and orders, about a quarter reported higher sales than in

the first quarter.

Mr Alfie Kane, chamber president, warned: "It is difficult to find encouragement. We know from our daily contacts that many expect a long period of difficult trading before the

market turns. Construction and building suppliers are par-ticularly hard hit."

A similar survey last month showed a comparable bottoming out on Merseyside. Another suggested beginnings of an upturn in the West Midlands. The Manchester survey shows an upward trend in manufacturing exports for the last three successive quarters, although the "downs" still outnumber the "ups".

Home markets remain more difficult for manufacturers the opposite to the service sec-tor, where export markets are tougher. Turnover and profit forecasts in both sectors; however, are positive and show

strong upward trends.
Shedding of labour also appears to have bottomed out in manufacturing and services.

• In the east Midlands the number of companies expect-ing to shed labour continues to increase, according to a survey by the East Midlands Chambers of Commerce, writes Paul Cheeseright. In June, 27 per cent expected their workforce to decrease, against 23 per cent in March and 13 per cent a

MMC stalls over driving the right price

Kevin Done steers a route through the claims and counter claims over new car prices

HE Monopolies and Mergers Commission entered a minefield when it began its current investigation into long-stand-ing claims that car buyers are forced to pay higher prices for new cars in the UK than in many parts of continental

Europe.
The latest detonation comes from consultants acting for Vauxhall, the UK subsidiary of General Motors of the US, which challenges a main part of the work already under-taken by the MMC.

The complications the MMC is encountering have already

forced it to postpone comple-tion of its final report by three months to the end of October. The car makers are fighting back to show that the study on which the MMC has based its ings is flawed, and that UK new car prices are not signifi-cantly out of line with those charged in continental Europe. The picture has been further confused by the outbreak of a price war in response to the slide in UK new car sales dur-

ing the recession. Several car makers and importers led by Ford, Nissan UK, Vauxhall and Fiat have cut the prices of selected cars by up to £2,000, suggesting that they too accept that some prices are out of line with what

buyers are prepared to pay.

Much of the car maker's struggle with the MMC has taken place behind closed doors, but UK car makers and importers are uncomfortably aware that they are losing the

Earlier this year the Financial Times disclosed the con-tents of a confidential study commissioned by the MMC from Ludvigsen Associates, the UK-based automotive analysts,

which claimed that the pre-tax prices (adjusted for differing levels of equipment) of some

Comparative prices

	UK	GERMANY	FRANCE	SELGIUM	METHERLAND
Model	Astra L1.4 5 door Non-cat	Kadett GL1.4 5 door Catalytic	Kadett GL 1.4 5 door Non-cat	Kadett GL1.4 5 door Catalytic	Kadett GL1.4 5 door Catalytic
List price Including tax	8749	7407	7764	8276	8988
List price excluding tax	7023	6497	6211	6621	6333
Equipment adjustments		482	257	314	233
EA list price excluding tax	7023	6979	6468	6935	6566
Discounts from dealer	13.7%	7.1%	2.8%	9.8%	6.5%
On-the-road costs	350	152	314 4	₩:	164
On-the-road price excluding tax	6411	6636	6601	6266	6304
Financing support	672	160 :-		1	
On-the-road with financing	5739	6578	6601	6266	6304

cars in the UK such as the Ford Fiesta and the Rover Metro were more than 50 per cent higher than in the Nether-

These were the extreme cases, but the report referred to many models where UK prices were 20 per cent to 30 per cent higher. The figures for the comparison were from October 1990.

The question now is whether the MMC decides that these Ludvigsen comparisons are credible. The findings are being challenged by another report, from A.T. Kearney, the management consultants. The report was commis-

sioned by Vauxhall, which is placed second in the UK new car market behind Ford. The Kearney study is based only on price comparisons for GM cars in Europe - badged as Vauxhall in the UK and Opel in the rest of Europe. It must be broadly applicable to other marques, however, as car makers inevitably price against each other, normally taking the market leader -Ford in the UK - as the bench-

The Kearney study shows that UK, pre-tax, on-the-road prices for Vauxhall cars are in line with those charged for the equivalent Opel models in much of continental Europe. The price for a Vauxhall

Cavalier L 1.6, for example, was £7,280 compared with £7,186 for the equivalent Opel Vectra model in Belgium, £7,850 in the Netherlands, 27,584 in France and 27,654 in Germany. For a Vauxhall Astra L 1.4

pared with £6,266 in Belgium, £6,304 in the Netherlands, £8,601 in France, and £6,636 in Germany. The Kearney study was based on May 1990 figures when cheap finance was also available in the UK and Germany for some Vauxhall/Opel

Astra cost \$5,739 in the UK and

the UK price was £6,411 com-

£5,578 for the equivalent Opel Kadett GL1.4 in Germany.

Radett GLIA in Germany.

The Kearney study challenges the methodology adopted by the MMC and Ludvigsen Associates. Only on one point is there no argument.

The so-called "list prices" for new cars in the UK are higher than elsewhere in Europe, but Kearney and Vauxhall maintain that such prices are academic and the actual price paid by buyers is broadly similar.

earney and Ludvigsen adopted different approaches to establishing the pre-tax, on-the-road, price. Pre-tax prices are compared because tax regimes vary from country to country.
There are many other vari-

able factors, however, in mak-

ing pan-European car price comparisons. The most impor-tant which vary from country to country are: Equipment specifications. If the buyer chose the cheap finance route the Vauxhall Dealer discounts. Costs of putting the car on

the road.

 Availability of cheap nnance.

Fluctuations in exchange

To establish what discounts might be available, Ludvigsen Associates and the MMC organised a telephone survey in which dealers were contacted, in their own language, with the caller posing as a cash house with no trade, in The buyer with no trade in. The callers were asked to be insistent about obtaining a sizeable

Kearney and Vauxhall claim such an approach is flawed – people do not buy cars over the telephone; the majority of pri-vate new car buyers are not cash buyers but use finance packages; and in return they trade in a used car.

By contrast the Kearney

study was based on actual transactions. The consultant had access to GM's European invoice records and says its study was based on dealers' sales of 98,000 vehicles to retail

It claims that its findings for the UK are consistent with invoice and consumer surveys conducted by the MMC in the UK. It states that the dealer discount - and therefore the margin for haggling by the cus-tomer - has always been much higher in the UK. For a Vauxhall Nova in the UK the average discount given by dealers is nearly 11 per cent. In the Netherlands it is nearer 6 per

Exchange rates can also play a vital role in confusion over car prices. In April 1990 there were DM2.76 to the pound. By August the rate was DM2.98 to the pound, a fluctuation worth £500 on the price of a new

Mr David Waltis, Vauxhall's business planning director, said: "You must look at what people pay for cars. On that basis the UK does not compare unfavourably."

Poster contractors in talks on co-operation

By John Thornhill

A FURTHER phase of retary, referred Mills Allen's consolidation in Britain's out-door poster industry could to the commission. The takeresult from talks on a co-operation deal between two of the biggest contractors. Arthur Maiden, the second largest contractor, is in talks to handle the sales and marketing for National Solus Sites' 2,600

Such a development would give Maiden control of about 36 per cent of the 48-sheet (20ft by 10ft) poster market and would further complicate the task of the Monopolies and Mergers Commission investigation into

8-sheet poster stock.

the industry. Earlier this month, Mr Peter Lilley, trade and industry secover meant that Mills Allen, the UK's largest poster con-tractor which is owned by Avenir Havas Media of France, controls selling rights over 38 per cent of the 48-sheet market. Mr Michael Holme, Maiden managing director, said the possible link with National Solus Sites was one of a number of options. He estimated Maiden controlled a 28 per cent

share of the 48-sheet market compared with NSS's 8 per cent to 9 per cent.

The outdoor poster industry accounts for 4 per cent of UK advertising expenditure.



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BROADCASTING

Yorkshire TV makes bid of £34m to keep franchise

By Raymond Snoddy

YORKSHIRE Television has made a bid of around £34m a year in an attempt to retain its

The bid looks high enough to win the competitive tender for the new 10-year commercial broadcasting licence for the Yorkshire area to run from

Yorkshire Television faces rival bids from Viking and White Rose, two companies planning to depend heavily on independent producers for their program

When the bids were submitted to the Independent Television Commission in May, White Rose - shareholders of which include Chrysalis, the record group, and two local newspaper companies, , had not completed its financing. White Rose has to produce full details of its financing plan

before an ITC meeting starting on Thursday which will review progress on assessing the 40 bids for 16 broadcasting

The winners and the size of their bids will be announced in It is not clear if Viking, backers of which include TVS, an independent production company, and Barr and Arnold Wallace Trust, has completed

Mr Clive Leach, managing director of Yorkshire Television, has deliberately made a

very aggressive hid to try to ensure victory.

The size of the bid could become embarrassing, how-ever, if neither Viking nor White Rose pass the quality threshold all applicants must get over before their cash bids

In addition to the £34m bid Yorkshire — shareholders of which include Pearson, pub-lisher of the Financial Times has to pay an addition seven per cent of its advertising reve-nue to the government as

In the first half Yorkshire had pre-tax profits of 26.2m advertising revenue of £68.42m. Yorkshire also has a 20 per cent stake in neighbouring Tyna Tees Television which bid £14.5m for its franchise. This will defeat a rival bid by

Granada and Border Television lieved to be around £10m. Yorkshire plans an agreed merger with Tyne Tees which

can happen from January, 1992 with FTC approval.

Anglia Television is set to win back its franchise with a bid of between £15m and £16m — probably just under £16m. Its main rival Three East, backed by Emap, the newspa-per and magazine group and CLT, the Luxembourg based media company, has bid less than £15m; the third bid of the region, the Richard Branson/David Frost consortium CTV-TV bid less than £12m.

Even though publicly quoted companies are involved the FTC has said it wants the bids to remain secret until it reveals them. Apart from York-shire, Tyne Tees and Anglia three other bids have become public knowledge.

TVS Entertainment has bid

255m for its south of England franchise while the bids of its three rivals are in the £20-35m

range.
NorthWest Television has
bid £35m for th north west
franchise, outbidding Granada Television's sum of less than Scottish Television, which was unopposed, bid less than £1m to retain its franchise.

Privatised utilities defend

pensions By Robert Peston

TWO OF Britain's biggest privatised utilities yesterday moved to defend the retention of public sector-style pension arrangements for their direc-

British Gas and British Tele-com both have pension arrangements which give the directors inflation-proof or index-linked payments on ratingment it measured at the retirement, it emerged at the weekend.

Schemes operated by British Telecom and British Gas have continued to be guaranteed against the effects of inflation after the companies' privatisa-

The pay of both companies' directors has soared. Last year, Mr Iain Vallance, chairyear, Mr Iain Valiance, char-man of British Telecom, received £536,000, 43 per cent up on the previous year. Brit-ish Gas's chairman, Mr Robert Evans, was paid £370,000, an effective rise of 66 per cent. British Telecom said Mr Vallance's eventual pension would not be calculated on the £536,000 he received but on

£536,000 he received but on approximately £380,000. British Gas said it did not believe its pension arrange-ments were out of line with

Union chief dismissed by vote of executive

By Lisa Wood, Labour Staff

MR STRVE TURNER, general secretary of the National Union of Journalists, was yes-terday taking legal advice after being sacked by his executive

The executive of Britain's largest journalists' union, at a meeting on Saturday, took the meeting on Saturoay, took the rare step of voting by 10-9 to dismiss its general secretary.

Mr Chris Frost, president of the NUJ, said that Mr Turner, who campaigned for office on a platform of not merging with other trade unions, had flouted the screed unions policy which the agreed union policy which supported such mergers. It is

Mr Turner was allowed in his contract to campaign within the NUJ against merg-ers but was prohibited from doing so externally. The executive accused him of breaking his contract by writing to the Irish Print Union asking it to put off a



merger until members were

ballot of journalists because it Legally the amalgamation

utive since taking up office in

Flexible working patterns still lag behind the world

By John Gapper, Labour Editor

BRITAIN has very few manufacturing plants when have achieved "world class" flexible working patterns and quality production despite changes in production methods over the past decade, according

to a new study. The study of plants in Britain, Japan, the US and

sample of 405 manufacturing plants in which production methods have changed over the past 10 years have developed suitable working arrange-

Mr Michael Cross, a visiting fellow of the Manchester Business School, argues that British plants have not linked their strategies, and working arrangements have not been

used to improve processes.

The unpublished study compares plants in Britain to those elsewhere using production quality measures common in the US. These analyse companies according to criteria such as how well workers are used,

The database of manufactur-ing sites in Britain where there have been significant produc-tion changes includes data on whether there has been a move towards working in multi-4: greater sharing of skills.

Multi-Skilling and Flexibility. Michael Cross, 20 Amherst

Targets on training lose council support

By Lisa Wood, Labour Staff

ABOUT one third of Training and Enterprise Councils (Tecs) have decided not to sign up to new national targets for the attainment of vocational quali-fications which have been

developed by the Confedera-tion of British Industry.

The targets will be made public by the CBI later this month. They seek to replace former government targets, drawn up by Mr Norman Fowler, the former secretary of state for employment, which had wanted a minimum of half the employed workforce to be qualified to level three of the National Vocational Qualification (NVQ) by the year 2000. Those targets were abandoned last year by Mr Michael

Howard, the secretary of state for employment, who said they were inappropriate because government had devolved responsibility for training to Since then the CBI has

sought support from industry and training organisations over aspirational targets, mod-elled on the former govern-

elled on the former government targets.

About 100 organisations including Tecs, education bodies, chambers of commerce and industry training organisations have already signed up.

The Trades Union Congress has not yet decided whether it will sign. It claims that the government has recently watered down the CBI's crigi-



Howard: abandoned targets MSUTET

nal proposal that all young people should be entitled to train for skills up to NVQ level three by insisting on the insertion of a clause that means only people "who can benefit" would be given the opportunits

mr John Cridland, deputy addation ing at the CBI, said yesterday:
"Government officials along
with others pointed out that as
of today a universal entitlement was not deliverable because it would require Tess to spend more money than

Applicants for jobs fail to provide accurate CVs

By Diane Summers, Labour Staff

NEARLY half of all job applicants for senior finance, information technology and marketing jobs fall to produce curriculum vitaes which do them justice, according to an analysis of 1,000 CVs.

The most common mistakes The most common mistakes are long-windedness and a failure to tailor applications: 41 per cent of those analysed produced four or more pages, rather than the optimal two to three; 46 per cent did not attempt to highlight relevant qualifications and experience for the particular post

qualifications and experience for the particular post. Information technology applicants are the worst cul-prits on both counts, according to the analysis carried out by Country and Lybrand Despite Coopers and Lybrand Deloitte. Over 80 per cent of IT appli-cants failed to tailor their CVs and they also produced among the worst-looking applications.

Overall, less than half provided a daytime telephone number and only 40 per cent gave their current salary, even though this had usually been requested.

A quarter were not explicit about their educational attainments, nor had they made it clear whether or not they were still in employment. The best CV-producers are finance and marketing execu-

tives; the least informative are general managers, the survey Oddities highlighted were the candidates who: covered the CV in drawings; sent a graph of salary progression; used computer or exercise paper; sent application forms from another employer;

euclosed psychometric test results and press articles of doubtful relevance. NACIONAL FINANCIERA S.A.

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MANAGEMENT

early four years ago, I was flattered to be asked by John Gillum, a former director of N.M. Rothschild, the merchant bank, to put myself forward as a candidate for the other non-executive directorship of Sketchley, the dry-cleaning and textile services group. I hoped that my background with Johnson Wax and McCann-Erickson Europe would lend some additional marketing perspective to the board which, other than Gillum and I, was com-

posed solely of full-time employees.
My first impression was positive.
A relatively new and aggressive
management team was anxious to
use acquisition as a tool of company growth, while maintaining enough profit to keep dividends high (and presumably the share price up). There was a recognition that costs needed to be cut in all divisions, and services and quality

s the group improved. There was even some sense of social responsibility – cleansing fluids are bad "green" news. It all looked good and I joined with enthusiasm. Some while later, I recalled what my old boss Sam Johnson, the major shareholder of Johnson Wax, once said to me: "The primary job of the non-executive director is avoid disaster." Bearing in mind that to accept the position is to accept the responsibility - that is to say the buck still stops at the board whether composed of executive or non-executive directors, I still now ask myself what other questions might I have asked to

avoid that very thing at Sketchley? So far I have only come up with a few extra questions that John or I might have asked — but did not. It is the answers to the questions we did ask that worry me — and not just those from the professional

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Managers and directors have basically three things with which to work: information, instinct, and experience. An airline pilot must believe his instruments rather than rely on instinct. That analogy may well apply to business. But perhaps stinct would have been more useful than the information we were getting; this consisted of well pres-ented monthly management accounts at each board meeting followed by a well organised report for each division presented by the

group managing director.

These reports seemed to indicate no problems other than the vagaries of the weather on the dry-cleaning business. The company did, how-ever, seem to be in a bit of a buying and selling frenzy. This prompted John Gillium and me to suggest it slowed down, and prove to the City that it could be successful in the businesses it had already bought. It was agreed, albeit a bit reluctantly, because buying is, after all, more

The next big purchase was a vending company to be added to the

Jerry Shively takes a retrospective look at what he describes as his 'most unhappy professional experience' as an independent director of Sketchley, the dry-cleaning group

Confessions of a non-executive

existing vending bush which was deemed too small to be viable competitive. It that time, John and I questioned quite deeply a number of issues, including inven-tory values. "Enough allowances had been made." was the answer given at a board meeting. 📰 one estioned that.

After the purchase had been made, however, it transpired that accounting practices had been util-which, we investigation by auditors and our own financial peo-ple, were deemed to be very defi-

Should we non-executives have been more persistent in challenging the company's managers? The answer is yes

cient. For example, it would have been much wiser to write down returned machines to zero value and take the benefit of any subse-quent resale rather than bring them in at an inflated value which gave the overall inventory a very false picture – a million pound error of both management and professional

Should we non-executives have been more persistent in challenging the company's managers? The answer is yes, but having asked, and received, answers, we failed to

At about this time a couple of other warning lights came on which, although subtle, were probably worth more thought than we gave them. The first was at my first annual general meeting when, in response to a naive but well-inten-tioned question, the then chairman, Malcolm Glean, gave what to me was a very curt, nearly rude response. As he is normally a nice, kind man, I was rather shocked at what seemed to me a poor effort at shareholder public relations.

Maybe it was symptomatic of an attitude which said: "Management knows best - we don't need explain". Possibly this view also prevailed with respect to non-execs: "Tiresome but a required neces-

The second clue was the well-presented and carefully argued case of the operating directors justifying their three-year contracts. "Normal practice these days; protects the company from piracy," was the

argument. Did management know something the rest of us didn't? In my last industry, advertising, we deplored even a one-year contract but I reluctantly gave up my quest to make changes because I was assured that the contracts were dy in place before Gillum and I had arrived and probably couldn't be changed in any event. In retro-, I wish I had pursued this further.

Another manual acquisition had been un an "earn-out" basis.
Thereupon the ex-owner left with
some other employees and the loss
of quite a lot business. Why had management not anticipated this development more effectively? Man-are there to manage so they have known what was going on - and non-execs there 📗 🖵 🖛

I'm problem was that we only ever heard from the top direc-tors – usually the chief operating executive of all the divisions and not from individual heads of each division. Perhaps, if we had demanded to be briefed by each divisional chief, we would have had more inkling of impending disaster - or perhaps there was inadequate ement at several levels, not

management at several levels, not just at the top.

A well-researched study by Malpas, the management consultancy, indicated that the main business was sound, but greater profits were simple changes, and some restruct uring. Again the non-execs heard only the summary of this study from the CEO and only after asking for it. It would have been far better if Malpas had delivered its conclu-sions to the full board — and a few questions then might have switched on some red lights. Blissfully we

One day I received a call from Glenn who wished to convene an extraordinary board meeting to discuss a "rather alarming indicated reduction in profits from an esti-mated £14m to 'considerably less'". mated Mam to considerably less."
This meeting, held in my home, was indeed alarming. Within two months the profits forecast had dropped to perhaps 28m. All the divisions were down but the real villain of the piece was Vending,

villain of the piece was despite the fact that great synergy from the acquisition was suppos to have resulted in much greater efficiency. How familiar those words are. I wonder how many lousy acquisitions have been based on such vague generalisations? That first distressing meeting was

to be followed by a number of others each producing a more disastrous prognosis than the one before.

John Gillum I I could not understand this amazing about turn in such a short space of time. The auditors had failed to expose the shoddy accounting and manage-ment practices in Vending which were a part the problem. Obviously, management had not

As we, the non-executives, were considering the next steps which would have included new management of some form, incredibly, almost within the week, Godfrey Davis, the textiles, car dealing and building services group, surfaced unsolicited, and in February 1990. made what was, in retrospect, a fair bid. At that time, however, we did not feel it was adequate, based on the inherent value in the brand name Sketchley and the fact that Godfrey Davis, in order to raise the finance for the deal, had to sell off its motordistribution division. We turned the offer down, but Godfrey
Davis withdrew when our
profit projections were revised
downwards about

When white knight ppeared were surprised a week
later by a lesser offer from Compass, the catering and restaurant
services group; we had approached
Compass earlier but were spurned. In the meantime, John Gillum and I had decided that Sketchley had no credibility under its present man-agement and that changes should be made - starting at the top.

To sack the entire management team (a suggestion from Mercury, one of the UK's leading investment management concerns and the major 20 per cent shareholder) may have been justified by the poor results but made no operational

This lead me to wonder if fund managers and bankers really know anything about actually operating a company. I wondered why any fund would own 20 per cent of one company - and then not have a single one of its directors on the board. I wish it had, but I doubt it would have changed things and might again have simply pointed out how terrifyingly dependent we are upon professional advice. And how bad some of that can be.

Gleon offered his resignation as chairman, which was accepted. For operational reasons we retained the other directors, and in March 1990 John Gillum took the chair. We recommended to the board that the



Jerry Shively: hoping to lend some additional marketing perspective

Compass offer should be rejected as inadequate, still assuming that our profits would be at least tom for the year. Compass let its bid lapse anyway after receiving a remarkably poor response from Sketchley shareholders, who thus demonstrated considerable loyalty to the com-

anwhile Gillum and I had been in discussion practically every day, searching for alternative management teams. Several emerged and a few were interviewed. To me the best was a company which was also in the service industry, had a good proven management and obviously wanted a long-term involvement. Further, it was largely privately held and the owner was willing to stake his entire fortune on the com-

hined company.

It looked good to me, but Mercury, for undisclosed reasons, refused to go along with it. At this point any solution needed the sup-port of the three main shareholders which together controlled 34 per cent of the company.

An alternative management

group, John Richardson, Tony Bloom and David Davies, surfaced. Although they were expensive, Gil-lum and I had no hesitation in recommending them to the main shareholders and ultimately to all the shareholders. We have no doubt that they will eventually turn the company around, based upon two very sound legs, cleaning and taxtile services, and what has been learned about two others (vending and office services).

John and I did not offer ourselves for re-election, although both of us would have preferred to stay long enough to ensure the turnsround was complete. The pressure from the main shareholders was, how-ever, unequivocally to start with a clean slate — understandable but perhaps III-advised. I hoped that we would be replaced by at least one representative from the major shareholder companies, but to date this has not happened.

Thus ended a saga which, for me, has been perhaps my most unhappy professional experience. It proved frustrating because I was unable to get at the underlying reality of the business picture, and disappointing because I lost faith in professional because I lost faith in processional advisers and to some degree my ability to judge executive competence, particularly where there was weak accountancy back-up.

The job of the non-executive director is perhaps "money for old manufacture perhaps "money for old

rope" when all is well and manage ment is competent - and surely our job is to ensure competent management; but when the trouble starts, the non-executive holds the company together. He does this at a great cost in terms of time and effort, for very modest reward, wishing most of the time that he did not have the job in the first

In retrospect one has to wonder what would have happened to Sketchley if there had been no nonexecutive directors. Obviously, the non-executive directors should fulfil an important role, but somehow the semi-involvement is fraught with

committee of the board. Sketchley did not, but I doubt if it would have unearthed the real problems any more quickly. For example, the auditors were asked three times by Rothschilds, Sketchley's bank, whether they were sure the yearend profits could not fall below £6m end profits could not fall below £6m (for purposes of preparing the Compass defence document). Less than two months later we were hold there would be a loss of £2m. The explanation given for this was "a change in management perception". Flying on these kinds of instrument is very herewelves.

Perhaps two and a half years is not long enough to validate one's instincts - and I had always thought mine were pretty good. I would conclude, however, that non-executive directors must take ■ very on every judgmental issue if they wish to avoid surprises. I would consider John Gillum one of the most asture financial minds I have ever encoungery yet even he was not able to react quickly enough to misinformation.

I hope this article will prompt some thinking and possibly some reconsideration of the role and responsibility of the non-executives who, in my opinion, should take up most of the seats on the board of a public company. They should include representatives of the larg-est shareholders when significant holdings occur as was the case with Sketchley. The pleasures of success are many, the pain of failure is

Jerry Shively is the chairman of Shandwick Marketing Services.

APPOINTMENTS

ward abandmen Treasurer of The Wellcome Foundation THE WELLCOME FOUNDATION has appointed Mr Richard Rien as green

Mr Richard Edge as group treasurer from September 1. He joins from Tioxide Group, where he was general manager finance, Tioxide Europe.

been appointed chairman of ORIGO SERVICES, Edinburgh, following the retirement of Mr Maurice Paterson. Mr Scobbie is managing director of Britannia Life.



TI GROUP subsidiary, Bundy International, has appointed Mr T. Peter Whitehead (pictured) as managing director of Bundy, in Heidelberg. He was managing director of Bundy UK, and previously was — managing director of former — TI subsidiary, TI Cox.

Southampton, has launched The Conservatory Company, to build hardwood OTES 1978 194 conservatories, and appointed Mr Phil Malins, Mr Mike Longhurst, and Mr John Goble **<u>***************</u> as directors.

The second state of ■ Mr Laurence Herbert, managing director of Longman Law, Tax & Finance; Mr Mark Todd, who manages Longman Industry & Public Service Management; and Mr Andrew Stevenson, who heads Churchill Livingstone, have all been appointed to the UK board of LONGMAN GROUP المنطقة UK, Harlow.

■ LONDIS has made the following promotions: Mr director, central distribution, from trading controller; Mr John Taylor, to trading

director, drop shipment, from trading controller, and Mr Steve Tulley to retail retail development controller. They join the company's operating committee.



DARTINGTON CRYSTAL has appointed Mr Nicholas Kolars (pictured) as sales and marketing director. He was general sales manager with Thermos.

Mr David Carrington has been appointed to succeed Mr Barry Till as director of the BARING FOUNDATION on Mr Till's retirement. Mr Carrington is director of the Housing Association Charitable Trust.

Mr Nicholas Webster has been appointed chief executive of Barrel Textiles. He was finance director of WILLIAM BAIRD, where he is succeeded by Mr Andrew Mills-Baker who was finance director of

Mr Martin Landau has joined the board of WILSON (CONNOLLY) HOLDINGS as a non-executive director. He was executive deputy Developers.



Mr Adrian Bradshaw (pictured) has been appointed chairman and chief executive of MML He was a main board

director of Arbuthnot Latham Bank, and managing director of the bank's corporate finance division. Mr Giles Hargreave, a non-executive director, has

Mr Graham Mattinson has been appointed managing director of PPP BEAUMONT, a chain of private nursing care centres for the elderly run by Private Patients Plan. He was at Parasol Corporation, subsidiary of Allied Brewerles, where he managed 92 hotels and restaurants.



Mr Norman Donkin Mal has been appointed managing director of Leasing - Europe. He was managing director of Plan UK. Mr David Watson (right) has been appointed director of finance of parent company AVIII CAPI-TAL HOLDINGS. He was dian Imperial Bank Commerce leasing finance panies in Europe. Ms Kim Dicks becomes an director of AT&T Capital Holdings. She was with the leasing and asset financing division of



■ Mr Richard Osborne (pictured) has been appointed managing director of CENTRAL TRAILER RENTCO INTERNATIONAL, a subsidiary of Tiphook. He was director of corporate development at Tiphook, and succeeds Mr Rodney Stoyel who has resigned.

■ SEDGWICK JAMES (LONDON) has appointed Mr Anthony Clarkson as commercial director.

FOODMARKETS has appointed as associate

directors: Mr Damien Harte, finance; Mr Peter Deering, systems; Mr Ted McCabe. business development; and Mr Alistair Forbes, merchandise.



Mrs Susan Fogarty has been appointed company secretary of CLERICAL MEDICAL AND SOCIETY in addition to her post as group solicitor. Mr Krie Hodson (pictured) becomes finance director. He was director of service and

■ THE ORION INSURANCE COMPANY, Folkestone, has appointed Mr Stephen Thistlewood to the new post of general manager (London market). He was group managing director of the London and Hull Maritime Insurance Company, and the

■ Mr Rob White-Cooper, deputy chairman, Sedgwick James, has been elected president of THE INSURANCE INSTITUTE OF LONDON, and Mr Philip Rhodes, deputy general manager, General Accident, has been elected deputy president from October



SECURICOR OMEGA EXPRESS has promoted to sales director Mr Bernard Wilson (pictured), general manager, UK parcels' sales.

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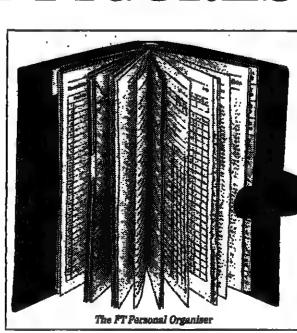
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Focus switches to G7 and the UK economy

ATTENTION this and will centre on the Group of Seven annual economic summit in London. The 📥 🚾 impact 🔳 the meeting, which is not expected in manifer on the rise of the dollar or the need for lower global interest rates, is not expected to be great. However, there will be dis-cussion of the global savings shortage, and in view of the lar against the D-Mark, the G7 could seek to reinforce its commitment to cap the dollar if

necessary. Even without the summit, it is an extremely busy week for the world's biggest economies. Unemployment data is due to rise by 70,000 in in the UK, while industrial production data should show the economy is still bumping along the bot-tom, justifying last Friday's cut in the bank base rate to 11 per cent. This putting downwards pressure on wages, with the rise in average earnings across expected to ease to 8.5 per cent in May.

with market forecasts from MMS international, the financial research company in brackets, include: Today: UK, formal start of G7 summit. Japan, May revised industrial production, June money rapple (L) per mat UK unemployment Total processory in the last of the last o

Source: Detastreem 1991 y-o-y). US, May business inventories (0.5 per cent). Spain, competitiveness pact negotiabetween government, unions, business US, inventories,

Tomorrow: Political declaration of G7 summit. President Gorbachev arrives. France, provisional consumer prices (3.3 per cent, y-o-y). US, June industrial production (0.5 per cent) and capacity use (78.9 per cent). Fed chairman Greenspan's semi-annual Humphrey/ Hawkins report on economy to House Banking Committee. UK, public sector borrowing rement for June (£1.7bn) requirement for June (£1.7bn), Wednesday: UK, day three of

reads economic declaration. Mr has break-fast meeting with French Presi-Mitterrand, meets Japanese Prime Minister Kaifu. US, June consumer price index (0.2 per cent), housing starts (100m), building permits, June real earnings.

Thursday: Japan, III per-

sonal consumption income. Canada, May in ance. UK, industrial production (down 0.7 per cent), manufacturing output (down ply (MO III) per part, Wi Wi per June unemployment (70,000). May average earnings (8.5 per cent), unit labour costs (11.5 per cent. 2-month average) and productivity statistics. France, ndustrial production for May (down 0.5 per cent). US, mer-chandise trade for May (down \$5hn), money supply for July. Peru, main union due to stage nationwide strike against government's economic policie Priday: Paris, Paris club discusses Jamaican request for rescheduling of over \$100m official debt. Canada, June CPL

During the week: Japan,

wholesale prices index, trade

balance. Germany, June pro-

ducer prices.

Rachel Johnson

RESULTS DUE

TODAY Tomkins, the miniconglomerate with interests ranging from lawnmowers to handguns, is likely to report pre-tax profits for the year to May of £109m (£77.1m) with 25.7p of earnings and a 9.5p dividend, according to James Capel. Earnings will have been helped by eight months contri-bution from Philips Industries, the US industrial group, and a 27m jump in net interest

Pre-tax profit is expected to fall by a third to just over 28m at Triplex Lloyd, the Midlands engineering group, which reports its results for the year to March 31 tomorrow. The announcement has been put back a day because of the funeral of the late chairman. Mr Jim Doel, who died of a heart attack last weekend.

The profit shortfall, com-with £12.2m pre-tax in 10, will reflect the sale of a casting business, a much smaller property contribution and Triplex's exposure to recession-hit building and consumer-related sectors.

Ellis & Everard, the UK's biggest chemicals distributor and one of the largest in the US, announces results in year to end-April today.

After having progressively downgraded forecasts for the effects of the recession on both sides of the Atlantic, analysis now expect pre-tax profits to come out at about £17.5m. Largely thanks to acquisitions that will be still up from £15.4m in the previous year. ICI has a 26.5 per cent stake in the company.

LIK COMPANIES TODAY

COMPANY MEETINGS: Airflow Streamlines. Northampton Use I 12 (00 Body Shop Intl., Beach Hotel, Marine Parade,

Hotel, Bradford, 12.00 Woodford Most House, Essex, IIII
Hicking Pentebust, Credit
Lyomais Laing, I Oak Hill, The Green,

ing, 11.00

Lyonnals Laing, I H. 5, Appoid E.C., 10.15 ironmongers' 12.00 E.C., Entertainment, Savoy Hotel, Strand, W.C., 11.00 BOARD MEETINGS:

Finale: CRT Enis E Everard Tyndall H Interime: Central Motor

COMPANY MEDITION Argyll Group, Savoy Strand, W.C., 12.00

Agricultural Corp. 614 % Db. 1992/94

³¹spc. Do. 5¹2 % Db. 1993/95

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Chysler that. Churchbury Ests. 4.2% Cm. Pf. 2.1p Clarke Foods 8% Gv. Un.

Ln. 1997 4pc. European Colour 0.4p Evode 7p Cv. Cm. Rd. Pl.

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LASMO 95 % Cm. Rd. Pl.

Land Securities 14.25p Life Sciences Int. Em Cm.

Cap. Ln. 2010 Spc.

£299.18

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Cy. Rd. Pf. 4p

DIVIDEND & INTEREST PAYMENTS

Hotel, Edinburgh, 12.00 Drayton English & Int. Grosvenor House Hotel, Park Lane, W., 11.00 Courtaulds, London Square, E.C., MAIN Ellott (B.), Hall, ew Close, E.C. Marriott Hotel, Duke W_ 10.45 Tester (John), Black Fleming High Inc. Inv. Trust, Chartered Hall. HIDOT. Cafe Royal, 68, regent 12.00 Place, E.C., Cockspur Trafalgar Square, S.W., 11.00 PCT, Illumination Hotel, Langbank, Pilkington, Prescot Road, St Helens, Morseyside. (Christian), Square, Edinburgh, 11.00 The TV, Hotel,

3.00

un inti.,

Horseguards Hotel, 2,

Whitehall Court, S.W.,

Physu, Tellow Chandlers' Hall, 4, Changell Hill, E.C., 12.15 Ind., Aldwych, W.C., 12.15 Elderslie, BOARD MEETINGS: Electron H Can Aller Hea Finals: Indiana (H.P.)

Nobo Triplex Lloyd **Hewats** Home inv. Trust lineal (John D.) loterims: Eurotherm Intl.

THE WAY MEETINGS: Acal, I London Mail, 1, London Mail, E.C., 12.00 House, Land Market Road, Marton, D.

Hall, Church Lord. Sheffield, 12.00 Culien's Hidgs., Tracte 1, Shortlands, W., 10.30 Most House, Mill Lane, 10.00 Heath (C.E.),

(William), Cutlers

Heath (C.E.),
Exchange, 14-20, Mary
Axe, E.C., Mary
Meyer Intl., Strand
Hotel, Strand, W.C., 1111

& Little, 304,
King's Road, M. 11.00
Powell Duffryn, Waldorf
Hotel, Aldwych, W.C., 12.00 Accountants' Hall, Premier Cons.. Chartered

Reed Intl., Hotel, W.C., Southnews, 326, Road, Glaziers Hall, Montague

Brasway British Agency Cons. Inv. Trust Hidgs.

American Inv. Goode Durrant THURSDAY JULY II Acres Street

Grahams Rintoul Inv. Trust Hampson Inds. Joseph (Leopold) Peel Hidgs. Leisure

BOARD MEETINGS:

Tribune Inv. Trust Trust of Property Shares Witen Inv.

FINANCIAL TIMES MONDAY JULY 15 1991

E FRIDAY JULY 19 COMPANY MEETINGS: British Inv. Trust, 4, Melvilla Crascent. Edinburgh, 12.15 Brown Shipley, Founders Court, Lothbury, E.C., 12.30 Etonbrook Props., Ford Hotel, Welbeck Street, W., 10.00 Martin Currie Euro, inv. Trust, 29, Charlotte Square, Edinburgh, 12.00 Property Partnerships, Hotel Norwich, Boundry Road, Norwich, 11.30 Readicut Intl., Institute of Directors, 116, Pali-Mali, Seton Healthcare, Periquito Hotel, Oldham, Sterling Inds., Cayzar.

House, 1, Thomas More Street, E., 12.30 BOARD MEETINGS: Finals: Black Arrow Grosvenor Dev. Cap.

Selective Assets Trust SATURDAY JULY 20. MEETINGS: Vosper Thorneycroft, Road, Woolston,

Company ---ennual general meetil

PARLIAMENTARY DIARY

TODAY Commons: Progress on remaining Finance Bill. Motion on the Fair Employment (Amendment) Northern reland Order. Lords: Library Tanadam Pay (No P Bill, report. Security (Contributions) Bill, third reading. Motion on companies (dimension of Interests in shares) regulations. on adult Belect committee: Environment - subject eco-labelling. Tony Baldry MP, Envir ment Under

TOMORROW

Secretary (Room 🖺 4.15pm).

remaining ____ of the Finance Bill. Lords www.cinesis to the Criminal James Bill, Opposed private Lords: Export and Instantant Rights of Land 12 Neighbouring Land Bill, reading. Committee un Oppo-

Docklands Railway (Lewisham Bill (Room 6, 10.0am. **■ WEDNESDAY** nmone: Plaid Cymru nation on the limit structures of government in Wales. Proceedings on the Foreign Corporations Bill. Consideration of Lines Amendments 🗷 🔚

Coalmining Laborate Bill. Finance and Waterton Bill report. Agu ul legal Capacity (Scotland) Bill, manufacture is government on support his learners. - subject, government expenditure Lill Warm David Hunt MP, Welsh

Secretary (Room 8, 10.30am). Transport - subject, Landin Transport. Witnesses: chairman and officials, London Transport (Room 8. Coposed In Coposed Private Bill: Limited Docklands Railway (Lewisham

(Room D. 10.0am).

SEPTEMBER 30

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THURSDAY Commons: Child Support Bill, remaining stages. United on perliamentary pensions. Lords: Dangerous Dogs Bill report. Ports Bill, third reading. Attimiz Weapons Estatunan ... I Bill, third reading.

Committee on Opposed Private Bill: London Docklands Railway (Lewisham Bill (Room 6, 10.0am).

FRIDAY Commons: Debete on wider and limit standards in schools. Lords: Finance Bill, second reading and immining

Bill,

second reading.

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CONSTRUCTION CONTRACTS

Building Croydon museum

Work on a £14m library and museum contract for Croydon Council has been awarded to TAYLOR WOODROW CON-STRUCTION (SOUTHERN).

The five-storey building in Mint Walk will be constructed in a traditional red-brick design to blend with the adjoining town hall. When completed in autumn 1993, the new library and museum build-ing will house 150,000 books and historic documents.

The 9,000 sq metre complex will have a case, shop and facilities for displaying local and national art treasures and

Mechanical services

MATTHEW HALL MECHAN-ICAL & RLECTRICAL ENGI-NEERS has been awarded a £9m contract to install mechanical, electrical and fire engineering services for Vint-ners Place at Queen Street Place, London EC4.

The seven-storey development comprises around 300,000 sq ft and will include offices, a leisure complex and galleria.

Work on the project is due
for completion in September

Vintners Place is a joint venture company between Wates City of London Properties and Sumitomo Co-operation (UK).

Waste treatment MOWLEM ENGINEERING.

Wirral, has won four separate waste and effluent treatment contracts worth fom in total. The largest, at £4.4m, is being carried out in conjunction with Mowlem South East Civil Engi-neering and Wainwright and Gibson and involves automating and upgrading 120 small works in the Home Counties.

Cardiff Docks canal

Major works on a feeder canal at Cardiff Docks is included in projects, worth over \$4m, awarded to TAR-MAC CONSTRUCTION.

The company is having to ensure a vital supply of 90m gallons of water a day to the docks while the feeder canal is The £330,000 contract, placed by South Glamorgan County Council, covers the realign-ment of 340 metres of the canal that keeps the Bute Docks towned up and the cares ships topped up and the cargo ships tied up alongside afloat.

Redeveloping Lombard Street Existing raft foundations will be re-used to support the steel building. External walls will be finished with cur-Costain Construction has

tain walling incorporating nat-

ural stone and metal cladding. The shell of the new building is due for completion in spring

Costain Engineering has

signed a contract valued in

excess of £25m with En. Gas

Processing (UK) for the design, supply and construction of a natural gas processing plant to be installed at Seal Sands on Teesside. The plant will condition 400 muscful of natural gas

from the central area transmis-

COSTAIN R & C subsidiary companies have UK contracts in the past month with over flow.
Three of these warrant together are worth over III.
Construction
been awarded a substantial contract by Fleetway House Construction Management for the redevelopment of the Bar-clays Bank head office site in

Lombard Street, London. The new office building will

comprise three towers of 17, 8, and 5 storeys, each finished with a barrel-vaulted roof. There will be two further levels below ground providing a total area of 40,800 sq metres.

New educational facilities for Sheffield Construction work on "Campus 21", the first phase of what is believed to be the larg-

est building and redevelopment programme to be under-taken in higher education since the creation of the new universities, is due to start in Sheffield at the end of the

month.

This follows the signing of a partnership agreement structured by legal advisors to Sheffield City Polytechnic, Cameron Markby Hewitt, between the polytechnic and development company. ment company Cormorant.

The project has the approval of both the Department of line cation & Science and the poly-

burgh are among the latest projects won by TARMAC CONSTRUCTION.

The contract for major main-

tenance work between Junc-

tion 1 and Junction 2 on the M40 has been awarded by Buckingham County Council

with work expected to take 10

The eight-storey of a man in Edinburgh is

the Co-operative Instruction

Society, and will have maken

technics and colleges funding

sion system.

council Campus 21 comes just two years after the polytechnic became an independent higher education corporation under Education Reform Act, which control its

TION has been appointed design and building contractor for the project, with Building Design Partnership project architects and Bucknall, American State of the project architects and Bucknall architects are project architects. tin as quantity surveyors.

Total cost of the three-phase

project is expected to be in excess of £80m, with the first phase, due for completion by

This phase will comprise 21,500 aq metres of new student and faculty accommodation on the polytechnic's main city centre site at Pond Street.

also been awarded a contract,

worth in the region of £5m, by MEPC and Norwich Union Life Insurance Society for the refur-

bishment of the Mill Gate shop-

ping centre in Bury, Greater Manchester.

refurbishment of the 1960s open-air shopping precinct to include the enlargement and

extension of some of the 75 shop units, the enclosure of a

portion of the existing centre

with glazed roofing and the

subsequent installation of mechanical, and

sprinkler services together with new floor finishings.

The work will comprise the

Purpose-built facilities will engineering and engineering information technology, and existing premises will also be redesigned and improved.

The second and third phases,

The second and third phases, due for completion by September 1994, will provide a further 13,000 sq metres of accommodation at Pond Street and the acquisition of a new site will allow up to 37,000 sq metres for further new buildings.

Major motorway reconstruction plan

Reconstruction work costing 55.5m on part of the M40, and a 54.8m office block in Edinburgh are among the latest the office spaces and increase ping Centre, at Coulby Newham, Cleveland, for Mid-dlesborough Borough Council (£230,000); and modifications and refurbishment of the TSB the air supply according to body heat. Bank at Page Moss, Merseyside

Other schemes recently by company triude to an illubook and a car park at Swin-(£220,000). Tarmac Construction's contract housing division has won a contract worth £520,000 to build houses for Sefton Bor-ough Council, on Merseyside. The housing division will don, for St Martins Property Investments, (£300,000); a new bridge across the A23 at Pease Pottage, West Sussex, for the also carry out repairs and Department of Transport improvements to houses for Erewash Borough Council, in (£310,000); a shop and lead

Renovating Victory House in Chatham

contracts worth £5.4m.

The largest, at \$3.1m, is the renovation and upgrading of Victory House in Chatham, Kent for the Black Horse Financial Services Group.
The 20-week contract is due for completion In Manager

TRY BUILD, part of the Try of the flat roof, the fitting of Group, has won a series of double-glazed aluminium win-refurbishment and fitting out dows and the improvement and fitting out of all internal office areas.

work on the £2m refurbishment and extension of Nightin-gale House for The Trustees of the Home for Aged Jews. The interior of the four-stoand includes the replacement rey "Cope Wing" will be

stripped out and refitted whilst a two-storey will receive an additional floor. Other projects include the refurbishment of brickwork facades at the Mercedes Benz base in Milton Keynes and the Try Build has also started

London air traffic control cen-

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Supplying

Two steel fabrication companies within the construction division of TRAFALGAR HOUSE, have been awarded contracts in Saudi Arabia and Malaysia, together worth around £6m.

In Sandi, associate company Cleveland Bridge and Engi-neering Middle East (Private) has been awarded a 25m con-tract by Petrokemya for the supply of 5,000 tonnes of structural steelwork for the initial phase of an olefins plant to be constructed in Al Jubail. Steelwork will be fabricated in Cleveland's Jebel Ali, UAE. Cleveland Structural Engi-

neering, based in Darlington, has two contracts for the supply of 1,160 tonnes of structural steelwork for the Connaught Bridge power station in Malay-sia on behalf of the Tenaga Nasional Berhad (Malaysian

Electricity Board).
The first, placed by Cockerill
Mechanical Industries, Belglum, is for boiler support steelwork and walkways and the second, from NEI Parsons, is for the turbine hall structural steelwork.

Fitting out City offices

JOHN LELLIOTT PROJECTS has been awarded two major fitting out management con-tracts involving new London offices for National Power and the Bank of Tokyo.

The National Power contract involves 92,500 sq ft of office space on six floors of a newly-constructed eight-storey building, Senator House, 65 Queen Victoria Street, London EC4. Work has started and comple-tion of the project is scheduled

for August.
The Bank of Tokyo contract, awarded by Takenaka (UK), involves 90,000 sq ft of office space on nine floors of a newlyconstructed building at 12/15 Finsbury Circus, London EC2







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Back to nature

Colin Amery stresses the importance of landscape in an increasingly built up environment

> t may be rash to make predictions, but it seems clear to me that architec-ture is about to undergo a major change. It is due to be absorbed by nature. Instead of being an imposed, mechanistic and abstract creation isolated from the earth, the architec-ture of the millennium will consciously respect all the active and growing elements provided by nature.
>
> I sense this growing awareness of lim importance of

nature on many fronts. -There is a huge increase in knowledge about the history of the architecture of the garden. There is everywhere a consciousness of the importance of environmental and green

There is also a sense that nature offers almost the only permanently renewable resource we have Architects often seem to be slow learners, followers rather than leaders. It took the profession a long time to realise that the conser-

vation of the built heritage was of cultural value.

It has only slowly dawned that the polymer of landscape the importance of Ires and plants - could possibly be the salvation of the built environment. The art of the landscape taught to aspiring architects: I have often been been by the lack of knowledge of plants

displayed by most of them.

The universal presence of ficus benjamina in every atrium, and the ubiquitous garden centre conifers in the wrong places, are the visible evidence of horticultural ignorance. Landscape design was mistakenly hived off as a sub-ject so that the disciplines that abould unite land and buildings have been almost irrevo-cably divorced. Of course there are exceptions — and some brilliant ones — where landscape and gardening and architecture work together, but they are much rarer than you would

The publication of a major new book encourages these speculations on the future of architecture and the landscape. The History of Garden Design: The Western Tradition from the Renaissance to the Present Day, edited by Monique Mosser and Georges Teyssot (Thames and Hudson, £45) demonstrates the range is European and scholarship that is now being devoted to this subject. The book represents excellent value with its 76 essays, 652 illustrations and 51 specially commissioned plans of the and gardens. It takes the

and gardens. It takes the reader chronologically through the history of garden and land-scape design in five sections — the land in garden; the Baroque and classical park; the picturesque, Arcadian and sublime; the eclectic garden and the town and city parks; and contemporary parks and gardens. The range of ideas and sub-

The range of ideas and subjects is almost too wide, but the premise upon which the book is based seems to be such a good I limit justifies the bold attempt to cover so much material. The editors, who are both historians concerned with art and architecture, feel that we should think more deeply about the significance of landscape because of the diffuse and perinatetic way so many of and peripatetic way so many of us live our contemporary lives. It is quite true that we seem to live a lot of the time in a kind of suburban network - exiles from old city walls, and yet also exiles from the land. do have that we have lost something that is both part of history and part of our human nature. That is why this book is important: it records in both words and excellent illustrations the endless search by man for a kind of rapprochement between art and nature that offers the near-

The history of the garden, from contrivance to the calmness and on to a sense of contemporary disquiet in the late 20th century, is a complex tale. The format of this book allows for general philosophi-cal essays to be supported by detailed accounts of particular gardens that act as special par-adigms. The Villa Lante, Het Loo, Wilhelmshohe, Caserta, are well known, but they are supplemented by extraordinary masonic gardens in Sicily and Art Deco gardens in France. The last chapters dealing with the present can do little more than expose the problems of the contemporary environment. Artists like Ian Hamilton

Finlay, Geoffrey Jellicoe and Roberto Burle Marx each offer

est thing to an earthly para-

and a solutions, but they seem to be merely touch-ing the surface of a gigantic

Architecture seen throughout book landscaping to grow upon. But a close examination of the drawings the relationship of land and arts - landscape and architecture - come from nature: architecture, mid even much contemporary landscape design, and to have forgotten this. This book the state of t

its natural context. Two other new books will both source material and inspiration for garden design. Creating Period Gardens by Elizabeth Banks (Phaidon, 235). is a pleasure to look at and valuable because it is entirely practical- full of lists of plants, practical full of lists of plants, plans and good solid source in Liz Banks is well known as a garden networking for English Heritage and the National Trust and her historical lists of plants and the date of the date of the dates of their are extremely valuable if you intend to design an

I found The garden.
I found The gardens of Roberto Burle Marx by Sima Rilovson (Thames and Hudson, £28) m good account of the work of the contemporary Bra-zlian landscape architect. This book coincides with an exhibition of models and drawings at the Museum of Modern Art in New York (until August 13).
Marx has worked largely in his
own country. In Brasilia he has emphasise to city dwellers the values of nature. His work now has a rather dated look - a kind of optimistic world of modernism with rubber plants and cacti. But he is a serious

artist and one of an apparently dwindling band of designers with deep botanical knowledge. Architecture has be informed by nature if it is to enhance our lives in he next century. But both architecture and landscape design have to be informed by art, and these books provide rich mines of some material waiting to be source material waiting to be

War and Peace

BBC 2, Radio 3

In the centerary of Projector's birth, the Live in Leningrad him munda his opera in a production _____ in successive years to the Ras-Garden. A major contributor has been the BBC, responsible notably for Saturday's simulta-neous broadcast. There will be spin-offs including a video. It is almost 20 years since the unforgettable impact of Colin Graham's production at the

War and Peace leaves its mark, yet stagings, because of the length and breadth of the work, remain rare. During the next few years one of the grandest works in the Russian repertory may become familiar to many more people.

This Anglo-Russian Valery Gergiev. His director of music, with the company's soloists, chorus and orchestra. Graham Vick and Timothy O'Brien are respectively producer and designer. The director for television

was Humphrey Burton, the producers Peter Maniura and (executive) Dennis Marks. Rob-(executive) Dennis Marks. Robert Lloyd, who has sung Boris Godunov at the Kirov, spoke the lucid commentary.

Prokoflev, who suffered official interference urging him to further emphasise the popular-patriotic element, worked on the opera for several years after starting in 1941.

He never saw a complete

He never saw a complete stage performance. This Kirov version is described as "com-

poses it is too long. In part two the episode in the burning, half-deserted Moscow, and to a lesser extent the last scene of all, dragged dangerously. The effect was scrappy - war

is like that, life is (sometimes) like that, but opera isn't a Tol-stoy-size novel and towards the end of a long ait more compression is essential. Mozart would have understood. The dragging was not the fault of conductor Gergiev, who handled with admirable skill Prokofiev's cumning use of waltz fragments (in Peace) and bursts of popuar song and military music (in War) to carry the action along. As Graham Vick pointed out during the interval, this was ensemble opera on a scale and

plete and uncut." For TV purmay never see again. The most interesting, enig-matic character, Pierre Bezukhov, an outstanding performance from the tenor Gegam G

Andrei Bolkonsky was with apparently supplies of steady by Alexander Gergalov, without suggesting enough of the char-thoughtful

Yelena Prochina's Natasha in the final scene, some delicate phrasing. Nicolai Otkhot-nikov's grizzied Field Marshal Kutuzov (with a touch of Beav-erbrook in his features) was a portrait to place beside memo-ries of Norman Bailey at the ENO. No room to mention the many subsidiary roles sharply and satisfyingly taken. The

huge chorus, energetically deployed, sang and acted devotedly.

It is hopeless to judge opera sets from TV. One got no firm idea of O'Brien's design a From visible details, War suited screen better than Peace, where the bare side screens with rows of doors looked as if the characters popping in and out of fit-ted clothes cupboards - unhelp-ful background for Valentina costumes

Apart from a suspicion of enjoying a different spectacle from the public, the photography was striking, with gratifying views of the Kirov's magi-

Ronald Crichton

The Magic Flute

GLYNDEBOURNE

At least one layer of confusion has been stripped from Peter Sellar's Glyndebourne Mozart, which created so much clam-our when it was unveiled last year. As the title signals, the revival that opened on Satur-day is given in English, in the translation commissioned spe-cifically for this production from long-time Sellars collabo-rator Alice Goodman. That was Sellars' original intention in his grand scheme to turn The Magic Flute into an LA story, a strange sequence of production decisions led to last year's hotchpotch, which was sung in German with a predominantly Anglophone cast, given sans dialogue, but with an elaborate dumb show in its place.

Now a modicum of the dialogue has been restored and the mime banished. However although the changes have undoubtedly beloed the show, they have by no means cured all its ills. The first act moves smoothly, logically enough, but the disjunctions in the second,

with hardly any dialogue and only endless silences to sepa-rate some of the numbers, do nothing to provide the staging with a sense of continuity and coherence. Goodman's vernacular version is free and easy, trampling over the rhyming schemes and misplacing the stresses in arias when it suits, and slicking down the lan-guage. "Zip that lip" the Three Boys tell Papageno at one point; "Sarastro runs this joint" the Spokesman informs Tamino, who exhorts him to "Explain this riddle cut the shit". Yet the tone is never consistent and the temporising consistent and the temporising sometimes laboured and awk-ward, all of which suits Sellars's production to a tee.

For the astonishing characteristic of this Flute, for someone who has admired Sellars'

productions in the past at least for their consistency and stage-craft, if not always for their revelatory power, is the thin-ness of the dramatic thought, and the intellectual lethargy

that lies behind it. A West is lost altogether, nothing hapCoast setting, with Tamino as T-shirted youth, the Three Boys toting skateboards and metic identity. With no visible immin rid til blimen skinski i a projektion Moonies, is fair enough, but as a starting point for a reading of the work that then attempts to interret or at least to explore some of its themes. Sellars merely lodges the action in Los Angeles, arranges some tour-ist-brochure shots of freeways and skylines as fetching backdrup, and just stands back to let it all unfold.

That approach survives the first act, especially with some dialogue to prod it along, even the intermittent multi-layering of the textrolled up on a neon display as it is sung, while the singers execute hand-jives halfway between deaf-dumb sign language and Asian dance ges-tures seems less redundant when there is a dramatic coun-

After the interval the thread

walk-on, and Thomas Randle a tral Tamino. gena, joyous and lithe in her duet with Papageno, deeply embarrassing when disguised as a wheel-chair bound geriatattempt to package the action in any way that might make it dramatically viable then, isolated moments apart (Tamino's incongruous with

Armoured Men, up members of the LA Fire Service, frantically hand-signing, most vividly), it becomes just mindnumbingly dull.

Musically everything is in far safer hands. Andrew Davies conducts robustly, setting the tone with an urgent overture and keeping tight control thereafter, that the action flags

so often is no fault ofhis. The cast contains four newcomers. Gwynne Howell makes his Glyndebourne debut as a beautifully even-toned Sarastro (a character for whom Sellars appears to have alaborated no kind of motivation at all), Beverley Hoch is a brittle, sbortphrased Queen of Night, cut down to size as a Barbie-doll

splendid looking, vocally neu-Linda Kitchen is now Papa-

James Maddalena repeats his

Papageno, singing with exemplary ease and now delivering the dialogue with laconic humour; Al-Lan Zhu is a serene, vocally competent There is a feisty set of Ladies

(Annegeer Stumphuls, Denise Hector and Fiona Kimm), and a lively trio of Boys (Christo-pher Wardle, Robert Jones and

James Conway).

Anyone who hopes for the kind of theatrical frissons generated by Sellars' previous Mozart productions, is still going to find *The Magic Flute* a miserable, conceptually flawed disappointment.

Andrew Clements

Madame De Sade

ALMEIDA THEATRE

The Marquis de Sade (1740-1814) and Yukio Mishima (1925-1970)were both fanatics. De Sada dreamed of a crime to provoke corruption after his de and Mishima could not end a corruption during his life. They are a match.

Mishima's 1965 play,

Madame Is Sade, at the Almeida engages with de Sade by asking why the Marquise stayed loyal to her husband until his release in 1790 from eighteen intermittent years in

prison.

De Sade famously trusted to numbers and statistics as a catalogue of his activities; so it is a shame that the author of One Sodom should have one hundred and twenty minutes of boredom at the

This unfocussed production touches on the real issues presses on them.
Our ordinary vices, treach-

ery, disloyalty, cruelty and tyranny, are on show here in a world where moral science is simply geography misapplied.
One's world view depends on which of them one believes is

In this context, Mishima balances curiosity and disgust in his account of the marriage. The action stretches over eighteen years in the house of

de Sade's mother-in-law; as it evolves, one is asked to assess de Sade as an author, pervert, husband and son-in-law, but offered no answers.

The Marquis himself appears only as an offstage knock at

implicated in her husband's sexual excesses, pleading that "nothing in the world is without value" in his defence, and believing in his cathedral of rice and back stairway to

Against de Sade's monster of immorality, she becomes a Her mother vacillates

between meting out help and punishment to de Sade; she is by the which de Sade's behaviour compels her to

Sparky acting keeps an over-long script alight. Julie Legrand as the whip-swishing prostitute recounts and then partakes in de Sade's sexual

Diana Kent grows in confidence as the Marquise, and Natasha Parry as her mother puts all the conventional objections to de Sade without being righteous.

Her friend, the Baroness de is well played by Irene Hamilton; jealous for

untasted vices, and seelous in denouncing them.
Tal Rubins directs the production in Japanese style, drawing on Noh choreography

and gesture.

Milital Ure's Nippon-pop sounds in the background, but The curiosity is the Mar- is never integral to the produc-

The same is true of the production's Japanese set, which keeps a polite, decorous dis-

These pacific overtures serve to maintain the cultural gap between Mishima and de

One already knew already, however, that the key to Mish-ima is the brilliant short book On Hagalary, and that the key to de Sade lies in the protracted excesses of Justine; the differences were plain

Katherine Hamnett's costumes are the best thing on

Each costume expresses the Each costume expresses the character perfectly: a plunging dress-cum-harem pants in bruised purple for the prostitute; a simple, saintly neckline over an outrageous bustle for de Sade's mother-in-law; a ruched and frivolous pink for his fluffy sister-in-law; and an anduring plain green for his enduring plain green for his



Andrew St George Julie Legrand in Madame De Sade

INTERNATIONAL **PREVIEW** & FESTIVALS

This year's Henry Would Promenade Concerts open on Friday at the Royal Albert Hall in Limius with Eigar's The Dream Gerontius, performed by Fin BBC Symphony Della and ed choirs under Andrew Davis. The soloists will be Florence Quivar, Kalli Lewis and Willard White. The season has a total of 67 concerts, including the traditional Last Night on September 14.

For the second year in impresario John Drummond has opled for a themeless programme, and the range III music and performers is extremely rich and while the BBC orchestras as usual bear the onus of the season's work, are are orchestras and a chorus from abroad, including the Berlin Philharmonic making its Promi debut (with Claudio Abbado and soloists Cheryl Studer and Minus Brendel on Aug 26), the Gustav Mahler Jugendorchester with Abbado (Aug 20), the Dresden Staatskapelle with Colin Davis (Sep 8 and 9), the Boston Symphony with Time (Sep 7)

and the Orchestre Paris with Semyon Bychkov (Sep 1 and 2). The Mozart bicentenary is celebrated

performances of the Glyndebourne production of La clemenza di Tito (Aug 25) and WNO's L (Sep 13). Uninclude the Prokoflev centenary concert performance of The Flery Angel conducted by Edward Dear on Aug 22), Arthur Becentenary (his Piers Lane) and the Dvorak 150th anniversary (Rozhdestvensky conducting the rarely-heard dramatic cantata The Spectre's Bride on Aug 16).

of the most important Proms has always been resent opportunities new music in in heard by walls audience. The premieres of the by Mark-Anthony Turnage (this coming Sun, in Garden under Haitink), Martin Dalby (by the Royal acta Orchestra conducted by Alexander Conducted by

on Aug 17) and Witold Lutoslawski (Aug & conducted by the composer). Andrew Davis will also conduct - British premiere of Tippett's Byzantium (Sep 6). Booking by phone 071-823 9998. The Ballet Marin mi in Espana

London its first London tomorrow at the Coliseum. There are improgrammes the next two weeks, including a dazzling display and 3161). Starting tonight, the Prague Festival Ballet is presenting modern den a Theatre K in the Capital Capital

FESTIVALS GUIDE

AIX-EN-PROVENCE

The n programme at the India de India d Le nozze di Figaro (tomorrow and Fri), l'annual Castor et Pollux by Pier Luigi Pizzi and William production = Emerical
Midsummer Night's Dream (Thuss)
by Emerical Sedford,
with a cast led to Emerical
Elrian Emerican James B early merni play U Schuldigkeit premiere tonight Sun) in a staging by Fall, in a staging led by give III Mozart (Wed) and III (Sun) in III Cartificate Saint-Shaward There are are song by Helen

Berganza | Sel. Bross Aug 2. | We 4217 163 AUMENCE Peter Employ production of Shakespeare's The Tempest-Is performed and night and at Im Taillades (except Sun), in a new French - by . Jean-Claude Carrier Throughout week, the Cloître - Carmes season = plays = == radical east German dramatist Heiner Müller. production of Strindberg's Design Play performed tonight, and Wed at the Gymnase Alexand. Emile Aug 2.

(90) 862443

The Nuits Musicales du Suquet, organised by Gabriel Tacchino begin tomorrow with a concert by Camerata Strumentale di Santa Cecilia, in transf on Wed by a plane recital by Alexis
Weissenberg. The
Chamber Orchestra gives a
on Sat. Ends July 30. (92)

988277 EPIDAURUS This drama the the transfer of Epidaurus consists of the Greek National Theatre's production of Sophocles' Philocetes on Fri and Mr. Trrin Aug 31. (753) 22026 GLYNDEBOURNE

Hytner's much-admired new production of La clemenza Tito, with a cast including Ashley Putnam III Philip Langridge, can im seen tonight and on The Andrew Davis Line conducts Peter Sellars' controversial staging of Die Zauberflöte tomorrow. Graeme Jenkins Nunn's production Idomeneo on mail and Sat. Ends Aug 23. (273) 141111

The property opens tomorrow with a production of Don Giovanni at the Arena Steristerio. Gustav Kuhn fills the dual role of conductor and producer, and the decor and costumes are by Enrico Job (also Sun). Um Pasquale at the Teatro Lauro Rossi (Sat) is a Roberto de Unique production conducted by Roberto Abbado. Ends Aug 14. (733) 230735 MONTPELLIER

MACERATA

Tonight's opening performance, by Metzmacher at w Opera Berlloz-Corum, in 5 u Maderna's W Orfeo. Touch Jeffrey Tate Caracter Educate

Second Symphony, and subsequent concerts are sprinkled with orchestral music by Florent and distinguished soloists. The Tallis in the give a mails on Sat, and Lucia Allberti and Jean-Luc Than I and I'm man pirate on Sun. Ends Aug il (17) MONTREUX

The final and its 121 jazz Herbie Harris and Wayne tonight, Figure Flack tomorrow, and a jazz gala on Wed Basie Ordenson, in Charles, and Quincy Later in the week, the nimeform include the David Market Group (Thurs), Chempion Family
Dupree and Family
The with a
Gospel Summit on Sun. (21) 9631212 ORANGE Microst Mingridd Introduction

Symphony a Fri and Elektra on Sat, both in The Les Antique. Elektra by Jean-Claude Auvray, with Gwyneth James in the Milli role, Leonie Rysanek Kiytemnestra mid Elizabeth Chrysotemis. The only other was at the gall his year in a single performance on Aug 3 # / Ne. conducted by Michel Aprile Milio in Da title role. (M) 518383 RAVENNA

Orm of the highlights film year is a production of Auber's green La Muette de Portici (1828) Patrick Fournillier and staged by Micha van Hoecke, with a lead but In Tizlana Fabbriceini (Thurs, and mire

Mon at the Rocca Brancaleone). The Bizantina plays music by Mozart, Boccherini and (tomorrow). The planist Michele Campanella takes part in a evening in a evening in the Biblioteca (Fri), and Boulez gives a concert with Teatro Alighieri (Sun), with and Ends July 11 (544) 58 III

SAYONLINNA

This evening's performance Alda, Miguel Land staged by Miguel Land Beldani, Helena Matti Limini (also Fri). Laszio Seregi's production

But ballet Romeo and Juliet and there 🕍 a performance on Fri of Otto production The Bride, with Finnish Mars and Fri, there are late afternoon performances of Manual opera La finta semplice at the Town Theatre. Festival Orchestra and in Mozart's Commune Mess and Account Requiem on in Kerimaki Church. Ends July 31. (57) 514700 SCHLESWIG HOLSTEIN

This highlights include conserts by the Orchanics de Paris under Semyon Bychkov in Neumunster (Thurs) and Lübeck (Fri). Frantz plays Mozart with Inc. Marries Virtual and Vladimir Splvakov in Elmshorn (Sat) and Illertal (Sun). Trevor Pinnock and the English Care give a Haydn and programme in IIII (tomorrow)

Lüneburg (Wed). Ends Aug 25. (431) 587080

The Incontri in Terra di Siena are chamber music recitals in Terra surrounding Siena, organised this year with a manufacture of the surrounding programme states at the Castelluccio di Pienza, La Foce, Mozart. Schumann and Ernst von Dohnanyi. Among the musicians taking part was year are Jeremy Menuhin and Janet Hilton. Ends

TANGLEWOOD

John Williams a Boston Pops tomorrow, followed on Wed ay a mail by Frederica von Stade. Selji E. Boston Symphony Orchestra on Fri in works by 15 mg Druckman, Manual and Beethoven with Yevgeny iller plane soloist.
Galway property in Party on Sat, conducted by mad Challender, and Helmut Rilling cardiate a Bach and Mozart programme on Sun, with plane with Richard Goode and the soprano Phyllis Bryn-Julson. Ends Sep 1. (413) 637 VERONA

Nabucco (tomorrow and Fri) conducted by Daniel Oren and staged by Gianfranco M Bosio, with Piero Cappuccilli in me title role, Yevgeny Nesterenko as Zaccaria and Ghena Dimitrova as Abigaille. Turandot (Wed and Sat), conducted by Daniel Nazareth staged by Giuliano Montaldo, has Grace Bumbry as m princess. Rigoletto (Thurs Sun) a by Rico Saccani and by Sylvano Bussotti. Ends Sep 1. (45) 590109

FINANCIAL TIMES

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Monday July 15 1991

Glasnost at the summit

communiqué from the summit of the heads of government of countries has fallen into our

whether this 17th summit will turn out to immore tunity. Unhappily, record experience gives good ground for

"Last in Houston, the summit announced that Uruguay Round of international trade negotiations had highest priority on 😘 international economic agenda'. On the pivotal issue of agriculture, the leaders prom-maintain a high level of personal and and the political leadership outcome of the negotiations. Even at the time some from the deback in ssels last December proved

the doubters correct. We must and can do better this time. But it will not be to the challenges for our own countries by the itself, will prove painful. Dependent as we are on the ent of our voters, there is a limit to the sacrifices we dare demand. But we must distinguish between true and imagi-

nary sacrifices.
"The compromises required complete the Uruguay Round are not among the true while many would have to adjust to increasing competition, not least the farm ers, as a whole our people would benefit greatly from the opportunities created by its

Subsidies wars

"According to the OECD, almost \$300bn by industrial countries in 1990 the futile war of farm substituting the futile war of farm substitut dies. Last year we said we would be personally engaged in the effort to stop this folly.

This year we mean it.
"Trade liberalisation is not a sacrifice. But we fear this is not the case for the environ-ment. It is possible — though the biosphers would be unable to absorb the pollution created by more than 5bn people con-

AN INTRIGUING draft communique from the summit to the level of our own peoples of the heads of government of today. Rhetoric notwithstanding, we will cling to that uncer-tainty, fearing the consequences of having to explain that our peoples may have to do with less, if others are to

> "Aid is also a sacrifice. If a modest one by the standards of an attempt in halt global varming. Yet even if the cost ity is not. Our citizens do not for politicians who promise spend their money abroad. While it was exhilarating to listen to the leader of our erstwhile adversary present his plans for transforming his country into a successfu market-oriented economy, it was embarrassing as well. For what we are prepared to do is

Political risk

"We are unwilling to take the political risk of asking for large additional budgets to meet the needs of the Soviet Union. In practice, therefore, more assistance to the Sovie Union would mean less for eastern and central Europe, and the developing world. But these countries need assistance at least as much and - in the case of Africans famine – deserve it more. This why we have the deserve it more. This debt relief to the poorest devel

oping proposed Mr John Major last year.

"Yet the consultations answer also the right one. It allows us to make clear to Mr Gorbachev how much needs to be done - in settling the Soviet constitution, in articulating a detailed programme for reform and in obtaining the required internal commitment - before external financial assistance would prove worthwhile.

Finally, a recently release study from the Group of Thirty has led us to commission an analysis of the future of the G7, which the G30 suggests should become a global directorate. This was an issue too complex for the contract of the complex for the contract of the complex for our crowded London agenda, as the question clearly needs to be discussed as part of a re-evaluation of the mental organisations."
Walcome to congested Lon-

hen Mr Michael Heseltine announced his proposals for abolishing the poll tax, he concluded his presentation to MPs with the standard cods: "I commend these proposals to the House." Commenda-tion there was, but also much condemnation. Some from his own back benches accused the environment secretary of reintroducing the rates in his new property-based council tax. The opposition accusation was that he had retained too much of the poll tax in the discounts to be offered to single-adult households.

Publication of the proposals in a green paper in April seemed to have muted criticism, particularly from the government side. But with the period for submitting views now over, the proposals are constructed to a submitting the proposals. environment secretary is expected to give an indication of the results in his consultation in the next few weeks His green paper has prompted thou-sands of submissions. But he will pay particular attention to those from the local authorities which have to make the new tax work and experts in local government finance.

Their submissions largely agree that while the government has slain the poll tax, there is a danger of repeating some of its least popular ects. And there is a consensus that Mr Heseltine's plans do not offer a stable solution to the problem of funding local government and providing

The good news for Mr Heseltine is that there is almost universal acclaim for the abolition of the community charge, which most of those involved in local government never wanted in the first place. There is widespread support for returning to a tax based on property values. And basing the new council tax on capital values (what a home is worth on the open market) is seen as an improvement on the old rating system based on rental valuations which were hard to estab-lish and not well understood by rate-

payers.

There is also a heartfelt welcome for the restoration of 100 per cent rebates for those on the very lowest incomes. Under the poll tax, they are required to pay a 20 per cent mini-mum, with compensation added to their social security benefits based on the average amount of poll tax. The Audit Commission estimates that Attact commission of the second minimum contribute an average of 26 a year to the public purse net of benefits, and that it costs on average £15 to collect this amount.

The commission and most of those involved in local government are urging the government not to wait until 1993 when the new council tax comes on stream, and to restore 100 per cent rebates for the poll tax immedistely. While it is reported that they have been successful in convincing Mr Heseltine of this, the Treasury is believed to oppose the move.

at, however, the end of the good news for Mr Heseltins as he

reads through the submissions from the sharp end of local government.
The bad news is that on almost every
other aspect of the government's
plans, local authorities and the people who work in them have deep reserva-tions about both the overall strategy and the details of implementation. The most serious concern is expressed over the gearing of the council tax, which is likely to mean that — as with the poll tax — small increases in — will lead to large increases in council tax bills. This is because the council tax will provide just a small part of local government income, yet is the only sub-stantial source of income under the metrol local councils (the rest comes from government grants and the nationally-determined non-domestic rates).

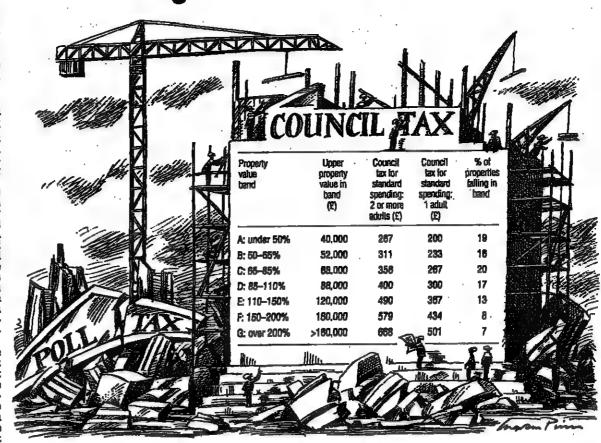
At current levels of government grant, the new council tax will pro-vide about 22 per cent of local authority spending (14 per cent after rebates). A council which wishes to

Marking

time

Local authorities fear that the council tax could repeat the least popular aspects of the community charge, writes John Willman

New structure, shaky foundations



increase its spending by 5 per cent more than the government thinks wise will be forced to put the council tax up by about 25 per cent.

As with the poll tax, there is wide-spread suspicion that government grants will be manipulated to assist flagship Tory councils and penalise Labour councils. The Conservative dominated Association of County Councils points out that "the level of local taxation will be more influenced by government grant to an authority than by the authority's spending decl

The favoured solution of the local authorities associations, not surprisingly, is to restore control over nondomestic rates to local government, III restrictions on increases to promall businesses. This recommendation is also backed by the Audit Commission - widely respected as a scourge of bad management in local government. The government has set its face against such a move, however, and may instead seek ways of shifting local government expenditure to can-government (as is already planned for find an education, for example).

The second chief criticism centres on the personal discounts which will knock 25 per cent off council tax bills for single adult households. I from the Labour-dominated Association of Metropolitan Authorities over what is seen as "the last vestiges of the principles of the poll tax" are per-haps predictable. Rather cheekier is the accusation from the Association of London Authorities (which represents only Labour boroughs) that the

discount is an "indiscriminate sub-sidy" which could be better targeted. However, the Audit Commission describes the personal discount as "potentially the most complicated pert of council tax provision". Information will have to be gathered on households claiming discounts, veri-fied and cross-referred with benefit

payments where rebates are paid. In

areas where people come and go, the burden of keeping tabs on the number of adults in a household will be con-

The Chartered Institute of Public membership includes almost all the local authority chief finance officers, concludes that "if the personal dis-

The most serious concern is over the gearing of the council tax, which is likely to mean small increases in spending will lead to large increases in council tax bills

count scheme is to be administered count scheme is to be administered equitably as between one taxpayer and another, some form of local register will emerge". This will chill the blood of ministers, who devoutly hoped that the council tax could get rid of the need for the much-hated register of adults.

The third main area of criticism is cover the handing system for valuing

over the banding system for valuing

would keep the council tax simple. Mr Heseltine planned seven valuation bands with similar properties being assigned to a band using a broad brush valuation approach. The tax to be levied on the top band would be a maximum of 2.5 times that on the bottom band, avoid swingeing mposts on The suggested bands have already

come in for considerable political criticism, particularly the creation of a single hand for all English properties worth more than £160,000. Band G. which includes some modest homes in the south-east as well as Buckingham Palace is a particular target, with calls for a higher threshold of up to

But more serious misgivings arise from the imposition of a single banding structure for the whole of England (Wales and Scotland will have their own banding structures). Seventy per cent of households in deprived boroughs, will be in the top three tax bands — including many council houses. In Rotherham, 84 per cent will be in the bottom three

The Association of District Councils points out that this relative uniformity will make the council tax look very similar to the poll tax in such areas. Five out of six two-adult households in Rotherham, for example, will pay between £341 and £454 at current levels of expenditure. With most people paying more or less the same amount, the fairness of the tax may again be questioned — particularly if

ends up in a higher band than ■ council house in Hackney. The local authorities would largely prefer regional banding to reflect such varia-tions and maintain the progressive nature of the tax.

In fact the imposition of national hands is a none-too-subtle means of making sure that areas which lost out in the switch to poll tax do not again suffer when the council tax is introsuffer when the council tax is introduced. Government grants will be allocated to ensure that the council tax is the same for similar houses coming under councils which spend what the government thinks they should spend. If most homes are of low value in a local authority, more grant will be needed to achieve this aimthan in an area where most homes are of high value. Many of the are of high value. Many of the cheaper housing areas which will ben-efit are Conservative-held marginal seats in areas such as the north-west. In returning to a property base for local taxation Mr Heseltine hoped to avoid the need for some of the bureaucracy which dogged the rates. In par-ticular, he hoped that banding would not need an appeals system and regular revaluations which tended to create political backwash with the rates. These hopes are brought rudely down to earth by the institute for Fiscal Studies which has examined the case for banding in an analysis of the options for local taxation reform. While accepting that banding would simplify valuation for many properties, the IFS points out that it would make decisions more contentious at the margins. Moving down one band could save as much as £90 a year on the government's target figures, offer-ing a considerable incentive to appeal

appeal is shown by the thousands of cases heard every year under the old than £10 or £25 in rates. Nor can regular revaluations be avoided without creating injustices as relative property values change. With valuation bands as narrow as £12,000, building an extension could easily merit movement up a band. And, as the Association of Metropolitan Authorities points out, it would not encourage public confidence if properties in the 21st century were to be

The willingness of householders to

valued according to property prices in Here the submissions offer helpful suggestions which could take the steam out of the revaluation process. The bands could be revalued each year, perhaps in line with inflation. Periodic reassessments of the band into which every home is allocated would still be needed to deal with relative property price movements and individual increases because of extensions and other big improve ments. If carried out on a rolling basis over five years and combined with annual unlifting of the band values, there would be no sudden and steep five-yearly revaluations which destab-ilised the rating system.

These objections on matters of both strategy and detail indicate that Mr Heseltine faces a hard summer if he is to revise his plans sufficiently to bring those who must operate them on board. Matters such as the procedures for valuation can be more easily changed than the continuing adverse gearing of the new tax. And time is not on his side: the legislative probegin in the autumn if the launch date of 1993 is to be achieved.

As the environment secretary attempts to square the circles of local government taxation, he may yet again reflect on the folly of the poll tax How much greater the folly, how-ever, if the council tax were to be a failure of similar proportions. Mr Heseltine will need all his considerable political skills to ensure that this will not be the outcome.

*Local taxation: the options and the arguments, Michael Ridge and Step-hen Smith, IFS, £10.

Local fall-out from BCCI

AS EVIDENCE of further fraud and malpractice emerges in the wake of the BCCI collapse, is there a need to think again about the potential threat posed by BCCI to the stability of the banking system? Those responsible for managing large sums of money will no doubt feel obliged to do so. But they will almost certainly come back to one inescapable point: the striking feature of BCCI's operations, That in the United States, Europe or the Middle East, remains wholly exceptional manner of

That said, there is bound to be some modest fail-out; and in Britain the backwash in finan-cial markets relates chiefly to the local authorities. They were already becoming more cautious in the placing of short-term funds with secondary banks before the BCCI collapse. Edington, the merchant banking arm of the Manchester-based financial services group Henry Cooke, was recently put into administration partly as a substantial of action authority withdrawals.

The shadow environment secretary, Mr Bryan Gould, a improbable cham-pion of Britain's hitherto unloved fringe banks, may thus be right to warn about a credit squeeze in the sector. Yet for the local authorities to tighten the squeeze would be needlessly self-destructive. Britain's mandary banks are a haven in fraud, drug money laundering and finan-cial malpractice of the kind that BCCL

Basic rule

Nor have most local authorities any need to pull in their horns. The indications are that the majority of those that placed money with BCCI had been careful to spread their risks. Where risks were not spread, as at Western Isles council, the failure was less a shortcoming of the system than of individuals. The most basic rule of investment is not to keep too many eggs in one basket. Any financial officer who cannot be relied on to observe such common sense should never have been put in charge of poll tax payers'

How does such an obviously sensible rule of thumb come to

be broken by financially experienced people? It may well be that local authority finance directors drop their guard when money is entrusted to the markets via intermediaries, who may be offered higher rewards for passing business to more risky banks. Certainly some local authorities appear to have placed reliance on City money brokers in dealing with the prime of the prime

As Mr John Major, the prime minister, rightly pointed out last week, any accountant finance director should know that if any institution pays over the odds for its money, it is because there is a risk pre-mium. He urged on local authorities "a prudent view of risk, and spreading risk", an unexceptionable exhortation pace Mr Gould - given the fiduciary role of authorities in relation to poll tax payers.

Containable threat

Some tightening of credit conditions in secondary bank-ing may still be inescapable if local authorities have allowed the money brokers to incur excessive exposure to individual fringe banks on their behalf. That is the kind of reasrisk that invariably precipitates a flight M quality after a collapse. But threat in the price as whole should be eminently

The contemporary fringe banking sector bears no comparison with the one that grew fat on regulatory anomalies before the banking and of mid-1970s removed them from the scene. Today's secondary are really the building societies, which have been granted my freedoms to compete with orthodox commercial banks, but do so under relatively tight supervision. It would serve no purpose and do much needless damage if the the local authorities were suddenly to start pulling money out of the smaller building

One of the less satisfactory aspects of the affair is the evidently poor quality of financial management in some of Britain's local authorities. The authorities should be wary of over-reacting to a scandal that has very little bearing on the soundness of individual British banks or building societies.

OBSERVER

■ Since they're paid only £2 or so a time, most teachers who spend long summer hours marking examination scripts find the task a bore. Rob McIlveen, a GCE Advancedlevel examiner in psychology, is different. He can't wait to see what strange developments the next script will reveal. Some reflect the times. Take

for instance the psychologists' "Duplex model" of memory, depicting memory as compose of short-term and long-term stores. In the view of some of 1991's Aids-aware examine it has now been superseded by the "Durex model".

Another event this year is the discovery of a new tribe. True, it's well known that the Hopi Indians' language has no words for the past or future, whereas Eskimos have a rich vocabulary for describing their landscape. But what price the desert-dwelling Hop Eyed Indians whose language has over 100 words for snow? As the examinee who dis-covered them said: "This is

a little bit surprising when you think about it." Curious things have also as the posthumous sex-change undergone by the controversial Sir Sybil Burt. By contrast Physiology Professor Colin Blakemore, famed for surgical experiments on animals, has got away with a simple namechange to Colin Broadmoor.

Where history is concerned, however, neither is likely to be as well remembered as the newly emerged psychoanalyst Sigmund Fraud.

Side swap ■ Time was when no selfrespecting senior clearing banker would cross the street

and join a rival. It just wasn't on: too many secrets, old boy. They do things differently now. Hence Sir Peter Leslie,

who until early this year was

a deputy chairman at Barclays, is moving across to Midland Bank to take up a similar position. A couple of years younger than Sir John Quinton, the man who beat him to the top job at Barclays, Leslie obviously feels he is too young to

be put out to grass.
Brian Pearse, Midland's new
chief executive, is another career Barclays man who never quite fitted in. He learnt his banking at Martins, a superb little northern bank not heard of since Barclays swallowed it 20-odd years back.

Early days yet, but one senses that Leslie and Pearse have not been recruited as night-watchmen to oversee Midland until it is acquired by one of its stronger rivals.

In the vortex

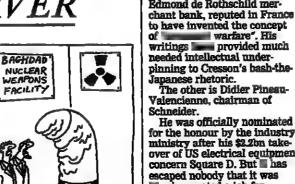
■ "A lire-== man" | how Cayman bankers
Englishman John Atkinson,
the Caribbean tax haven's inspector of banks and true companies, now in the vortex boiled up by BCCL

With a staff of just 12 to supervise 528 institutions, he has carved out a reputation for being tough. Not tough enough, though, to keep BCCI on the straight and narrow? "These things can happen to anyone, anywhere ■ any time," Atkinson shrugs.

There's no doubt he will be co-operating fully with the Bank of England in the BCCI probe. Before being seconded to the Caymans under an IMP scheme, he spent 15 years in the supervision department at Threadneedie Street.

Cross current

Also caught in a cross current, albeit minor by comparison, is South Wales Electricity chairman Wynford Evans. Top of his agenda today will be the aggressive buying



"The plutonium keeps melting the cardboard."

of his recently privatised company's shares by Welsh Water, headed by his erstwhile friend John Elfed Jones. The predatory move has strained the small Cardiff busi-ness community's loyalties as well as cooling relations between Evans and Jones. The buyer can't go any far-ther for the moment, having built up the maximum-allowed stake of 14.9 per cent. But onlookers think he wants even tually to create a Wales plc

BANX

by joining the **concerns**. As Evans sits in his office this morning he must be won-dering what his adversary has in store for him. So is most everyone else in Cardiff, too.

Swift rewards

■ France's prime minister Edith Cresson has wasted no time in be-gonging her allies. Both her former employer and one of her were made officers of the égion d'Honneur in the July 14 honours list.

The guru in question is Bernard Esambert, chairman

of the Compagnie Financière Edmond de Rothschild merchant bank, reputed in France to have invented the concept of warfare'. His writings provided much needed intellectual underpinning to Cresson's bash-the-

Japanese rhetoric. The other is Didier Pineau-

for the honour by the industry ministry after his \$2.2bn take-over of US electrical equipment concern Square D. But III has escaped nobody that it was who created a job for Cresson after she slammed the door on the government of her predecessor, Michel Rocard, nine months ago.

Ring of words ■ The once popular catch-

phrase "Sez who?" seems due for revival in America, where it's a near crime to use other folks' words as though they were one's own. That much is shown by Democrat Joe Biden III from the 1988 presidential race after claims he'd recycled, unacknowledged, a spiel origi-nally given by Neil Kinnock. Instead of being discouraged by Biden's example, the word-pinching habit looks to be

spreading - as witness the controversy about a speech made by Joachim Maitre, a dean at Boston University. Soon afterwards, the New York Times reported allegauous mar numerous of his words had been lifted from an article by film critic Michael Medved. Maitre, a

former East German fighter pilot, has since resigned. Now, alas, the New York Times has confessed its own report was "improperly dependent" on a previous report in the rival Boston Globe.

But if readers want to pass on the story, I'd rather they didn't quote me. I got it from the International Herald Tribune, which in the interim had recycled III How York

FINANCIAL TIMES CONFERENCE

WORLD MOTOR

This high-level meeting, timed to coincide with the Frankfurt Show, brings together a most dependent international panel to debate the challenges and opportunities facing the world motor industry in the coming decade, Strategies for the 1990s, the Single European Merket, the relationship between assemblers and suppliers and the role of siliances are among the subjects to be discussed,

Mr Robert C Stempel, Chairman & Chief Executive Officer of General Motors Corporation will deliver the opening address and speakers taking part include: Dr Carl H Hahn, Chairman of the Board of ement, Volkswagen AG; Mr Yutaka Kume, President, Nissan Motor Co, Ltd; Mr L Lindsey Halstead, Chairman of the Board, Ford of Europe Inc and Mr Martin Bangemann, Vice President, Internal Markets L industrial Affairs, Commission of the European Communities.

MANAGING FINANCIAL RISKS London 30 September & 1 October

26 27 November The Financial Times and Price Waterhouse have responded to market

demand in developing a workshop to cover the management of financial risks by financial institutions and corporate treasuries. The workshop is an intensive, practical course aimed at those who wish

to understand the principles and practices of financial risk management. It combines comprehensive technical reference material with an interactive format with case studies and worked examples. To underpin this, we have a panel of specialists from financial institutions including Jonathan Britton, Director of Treasury and Fixed Income at Swiss Bank Corporation, London; Bob Fuller, Director of Charterhouse Bank in charge of risk systems (CATALYST) development; Richard Hines, Group Project Manager at Prudential Corporation plc; Jillian Nathan, Assistant Managing Director of the Chicago Board of Trade in London; Crispin Southgate, Director of Charterhouse Bank and Head of. Financial Engineering; Chris Wingfield, Assistant Director, Hill Samue Bank responsible for operational support for treasury and capital markets products together with specialists from the Price Waterhouse Financial Risk Management Group.

WORLD MOBILE COMMUNICATIONS

London, 31 October & 1 November This year's FT conference, the fourth in a series, will examine the market, technological and regulatory issues. Should competition be allowed in mobile communications? What is the best way of allocating the scarce radio spectrum?

These questions will be debated by a distinguished panel, including: Mr. John Redwood MP, Minister of State for Corporate Affairs at the DTI, Mr. Chris Gent of Racal-Vodatone, Mr. Jean-Louis Blanc, Head of Mobile Policy & Frequency at the European Commission, Mr J Shelby Bryan of Millicom, Mr Richard J Callahan of US WEST and Mr Peter Miliatach of Mannesmann Mobilfunk

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jamnyn Street, London SWIY 4UJ, Tel: 071-925 2323 (24-hour answering service), Telex: 27347 FTCONF.G.

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THE ENG T

aving expected the cos tomary quick end to the ignominy of the return to business as usual, corporate Japan and the Tokyo stock market have had their confidence eroded by a fastflowing stream of allegations. Investigations are continu-

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San Pur Street Search

ing into the links between the affiliates of Nomura Securities and Nikko Securities and gang-ster groups. And more than 50 local authorities last week announced an indefinite suspension of dealings with leading securities houses as pun-ishment for their compensation of select clients for trading

The stock market has been nervously expecting news of further scandals, and traders fear that the market could fall significantly if more evidence of corruption is uncovered. The market is still 40 per cent down on January last year, and the Nikkel average has been hovering around 23,000 without much evidence that a recovery will come soon.

Regardless of the scandals, many Japanese executives believe that new controls on the securities industry are unnecessary and that the mar-ket average will soon begin a climb towards 30,000. This optimism persists despite the Bank of Japan's determination to convince Japanese companies that they must reconsider their attitude to the stock market and, more generally, to the cost of raising capital. The central bank started to

push official interest rates higher in May 1989 to slow an overheated economy and to reduce stock and property speculation. The bank was concerned not just about speculacerted not just about specula-tive stock purchases by gang-ster groups, but also by the readiness of ordinary compa-nies to take rising stock prices for granted. After the bank moved on interest rates, Mr Yasushi Mieno, the bank's gov-ernor, said companies had to learn that stock prices can

move "in two directions". But central bank officials conceded last week that corporate attitudes have been slow to change despite the scandals and the pressure of a tight monetary policy. Some Japa-nese economists suggest that only long-term weakness in the stock market will change these attitudes — a period of weakness which they date from January last year, when the market began its sharp fall.

They arrange that consistently

They argue that consistently lower share prices will force companies to review their high expectations of the market and their neglect of ordinary shareholders. Moreover, they say, institutional investors will be Robert Thomson says pressure for reform in the financial system is linked to the Nikkei average

Japan's cycle of compromise



shareholdings, as they have done in the past, confident will mine will rise.

Meanwhile, Japanese government is under increasing international ssure to reform the financial system. The US has long sought clearer rules and person for the formulates industry, but Mr Toshiki Kaifu, the prime minister, now in London for Group of Seven economic summit, and only just embraced the cause of financial transparency. In particular, the wants the relationship bureaucrats and financial companies to be more open, with formal guidelines for behavior and less "administrative guid-ance", the informal advice cen-tral to the Japanese system. Last week, the finance ministery promised to review the guidance system and to strengthen its investigative

capacity.

Japanese officials are now debating the establishment of an independent watchdog for the securities industry. They are aware of US suggestions that Japan needs a body simi-lar to the US Securities and Exchange Commission. Pressure from the US often plays a role in producing new legislation in Japan, but, as Washington has found in several trade disputes a change of reguladisputes, a change of regula-tions does not necessarily mean a change in behaviour.

arguing for less than full com-

nean countries). Many of them
never viable and I
would support a scheme which
enabled them in the on a
pension, provided farm struc-

ture were improved as a conse-

throughout the Community stand to gain from the CAP. It is major UK

objective. In that is

lutely no real why we should accept it in form

which discriminates
UK farmers, while pushing up
the bill for UK taxpayers.

John Gummer,
Minister of Agriculture,
Ministry of Agriculture,
Fisheries and Food,

Whitehall Place, London SW1A 2HH

Taxpayers and consumers

The behaviour that Washington, and the Bank of Japan, would like to alter has been highlighted by the scandals: financial and industrial compa nies took for granted that larger clients would receive special treatment from brokers: industrial companies presumed that stock prices rarely fell and that the market would provide constant cheap funds. Attention has been focused on the securities firms' failings, while is a tilled who

Many Japanese executives believe that new controls on the stock market are unnecessary

compensation land generally not even been Hat III fied. Hitachi, the electronics company, was named in the Japanese press. But the com-pany said it was not aware of having been compensated by its broker and that the small profit reported on its broking account was the result of a shift in its investment mix from stocks to bonds.

Japanese companies are also accused by the US of neglecting their shareholders. US negotiators in the Structural Impediments Euragy (SII),

fairer, and less easily exploited.
"You have to stand back from the present problems. These are only a small part of what is going on. In 100 years, we will see that the surge of

period of structural change." ing of the Japanese population; the labour shortage; the fading of the "make Japan strong" spirit that has been an important source of inspiration; and a slowing expansion of the economy. He also insists that a small component of change will be life assurance companies' readiness to sell shares.
"We are famous for buy and hold," he said. "But how can you buy shares and hold them when the markets are weak? But heavy institutional selling of shares in the present climate would push the Tokyo market to new depths, as

would any sign that Japan's complex system of corporate cross-holdings beginning to unravel. Set there we good non-financial reasons to keep such cross-holdings intact. For example, they ensure close manufacturer-supplier links. Even though calls for reform

ings appreciate.

I ranger market would pe and to assure their old cor-porate clients that the market is a fairly safe bet. The market would again attract the better-heeled of Japan's gang-ster groups, and the cycle of compromise could start

call, Japanese companies continued to crowd the market and launched \$1bn in equity-

linked bonds. Mr Haruaki Deguchi, senior manager of financial and investment planning ■ Nippon Life, said Japanese companies have not understood that the character of the stock market has altered over the past year, nor have they come to terms with the reality that they will have to pay more for their borrowings. Mr Deguchi is a believer in the theory that the securities industry scandals are part of the much greater but gradual change that began last January and will result in the Japanese financial system becoming more "international" – it will be more competitive, fairer, and less easily exploited.

growth was from 1945 until 1990, and then Japan entered a

His argument is linked to broader factors: the rapid age-

are coming from several directions, the internal pressure for change will fluctuate with the Nikkel Stock market average. If the market regains strength in coming weeks, life assur-ance companies will be less demanding of dividend pay-ment increases, and individual investors will see their hold-

work in favour of the old ways. The finance ministry would be under less pressure to police the securities companies and the securities companies would be able to assure their old corbe able to assure their old cor-

Samuel Brittan

Time to put an end to the summit farce



The so-called western ecomits have long become an irrelevant farce. But

they are now becoming dangerous as well. However hard it is to call off any established series of meetings without los-ing face, the time has now come to make the effort.

The summits now show democratic electoral politics at be treated to the spectacle of flushed faces talking into microphones and pursued by hoards of cameramen while they pretend unconvincingly to enjoy their canapés, or the entertainment arranged for them by the hospitality section of the Foreign Office. The secu-rity complications alone will make Central London almost impassable. In addition, the prospect of President Mikhail Gorbachev joining the other summiteers has attracted to London innumerable representatives of smaller countries and of private groups, who vainly hope to receive atten-tion, and all of whom would be better off visiting the British capital in a quieter period.

The very name "economic" has become a misnomer. The

first of the series took place in Rambouillet when several heads of government were exministers of finance. In the case of the then French presi-dent, Valery Giscard d'Estaing, and the German chancellor, Helmut Schmidt, there was also a strong personal rapport.
The idea was to have a quiet
discussion out of the limelight.
It is possible that the statement or intent assess in 1975 during the recession following the first oil shock, on the need to avoid a trade war, may have had some effect.

The summits have, however, long since degenerated into media circuses. Most of the mena circuses. Most of the present western heads of government have no special interest in, nor feeling for, economic matters. If the summits were just bad colossal theatre, seepical citizens could just decide not to watch. But when they lead to false expectations and pseudo-decisions, the time

The economic business of the Group of Seven is best transacted regular meetings of finance ministers. The main contribution of their bosses at summits is to inject expensive prestige ideas which the finance ministers then have to spend time whittling down.

• characteristic example is

the structure of the European Development. The summit leaders were neither prepared to take a risk and give the president, J. Attali, his head, no insist on someone else. As a result there is a top-heavy structure with a large board of directors sitting in London with little else to do except keep a watch on Attali. Meanwhile, the Bank, instead of concentrating its limited resources on the managable resources on the managane task of helping Poland, Czecho-slovakia and Hungary into their economic take-off, is instead dissipating its energies

A way has to be reinvented for handful of leaders who matter to talk each other quietly

in the vast sands of the Soviet

ouestion.

It might be an improvement to drop the fiction that the summit is economic, and with it the long platitudinous reiter-ation of familiar truths pre-pared by the "sharpas" several weeks beforehand for the final communiqué. But if it is treated as an Great Power Consort to discuss arms control, international trouble spots, pollution, the weapons trade and whatever else may be in the air, the composition

For a start, western Europa is far too heavily represented. The embarrassment caused by President Mikhail Gorbachev's desire to invite himself, and the difficulty of receiving him politely without making him member in the sale and shows that something is amiss.

Western leaders will have the choice between backing Mr Gorbachev, could

involve wasting vast sums of money and discouraging other kinds of evolution in the Soviet Union, or giving the president a resounding rebuil, which would not be desirable either. The result is likely to be a botched compromise with some gestures of aid, which will not be enough to make a difference, but could still dishearten the many groups who would like to see an end of the Soviet empire, as well as of the Balkan copy known as Yugoslavia.

The stark choices may still have It is land. But they should be dictated by the accident e an annual jamboree, the main attraction which is publicity that western leaders can international for their usu electorates. If contacts remain at IIII of finance ministers, cen-bankers, un International Monetary Fund, Bank and could explored on and top-level political sions taken when 🕒 time is ripe without any artificial

There is, indeed, strong for regular meetings of immain power on which the peace of the world depends. There were, after the second world war, meetings of the Big Five permanent members of the Security Council - the US, Soviet Union, China, Britain and France. The www position is obviously as a Japan and Germany are now among its world pow-peans could agree to appoint one representative leader, who perhaps could come from different countries in rotation. (Some that have even and Jacques Delors could take it in turns in speak for Europe).

Above all, a way has to be reinvented by which the hand-ful of leaders who really matter - and they will differ from one subject to another - can talk to each other quietly, and not pretand to make fresh deciif required. That,
all, was the original purpose of Rambouillet, to which
we should now return.

CAP reform an ideal but not in a form that is a cost to UK taxpayers ciency in general should sup-port what would amount to the decommissioning of efficient agriculture in particular. I am certainly not opposed to the price cuts suggested by the Commission. Further, I will be

From Mr John Gummer MP.
Sir, The credibility of your critique n Mr MacSharry's

("Importance reform", ("Importance I reform", July 12) would be en enhanced had you included an assessment of its likely increased cost to European taxpayers, which the Commission's own (in my view optimistic) figures indicate will amount to more than Ecu 4bn in 1996.

Of course costs might well

Of course costs might well be set to rise on present poli-cies unless mitigating action were taken, as it ought to be under the rules. But let us be clear that the Commission has not produced ideas reduc-

ing to the taxpayer.
You ought to recall that the UK has consistently - and often alone - supported the cause of CAP reform over very many years. We continue to do so. In the past year I have led the support in the Agriculture Council for the Commission's position in the Gatt negotia-tions and have indeed urged them to move faster to secure a deal. I certainly agree with you that with or without a Gatt deal it is clear that the CAP is in need of reform.

It seems odd that a newspa-per rightly committed to effi-

Fraud: why there is a need for more clarity and directness From Mr Hugh Aldous. without going through Sir, I know nothing of BCCI, and this letter is not inspired

by any particular fraud. Frauds call for a speed and directness of response from professionals which is currently rare. The Financial Services Act had one of its roots in a fraud at Norton Warburg where I was the investigating accountant. I took a matter of arguing for tess than full com-pensation for those price cuts in the council today. What I shall be objecting to is propos-als which compensate UK farmers by less than farmers from other member states. You mention very small producers (most of them in the Mediterra-nean countries). Many of them 36 hours to conclude that there was fraud, although proof took much longer.

formal processes.

It was Harry Benson, then at the Bank of England, who read my draft views, tossed them back across the desk and said simply: "It's a jail job." We said to the directors: "If you don't blow your own whistle, we'll blow it for you." The reputation of the City is

trade, argue that higher divi-dends would increase the cost of capital for Japanese compa-nies and lessen their unfair

competitive advantage. How-

ever, Japanese executives have

maintained that stockholders

benefited from rising share

prices and that dividends were

not the reason for investment.

weakness this prices. While individual share-

holders do not form me powerful lobby group, strong pressure for reform has come from the life assurance industry, which has bought and held stocks in

ms expectation that prices

would rise. Last Monday, the Life Insur-

ance Association # Japan

exercise manufactor issuing bonds linked to stocks.

the association could

harm we health of the Tokyo

Japanese companies looking for cheap funds in rushed to be Suromarkets in

reserve make in issue bonds

which can be converted into

These bonds offer lower

ntered rates than an ability

depends on strong stock prices.

day after the association's

stock-purchase rights.

That argument has been challenged by last year's mar-fall and ill coutinuing

built on clarity and directness, such as Benson's. We could do with a re-birth of it! Hugh Aldous, Robson Rhodes, Lawyers advised that no Robson Rhodes, "whistle" should be blown and 186 Cty Road, there was little that could be London ECIV 2NU

Road pricing should encourage the electric commuter

From Mr Howard Densley. Sir, Your editorial, "A green agenda for business" (July 9), recommends that experiments on road pricing be encouraged and the use of the motor car more heavily taxed.

Is this not a golden opportu-nity to promote the idea of a fiscal incentive for the use of electric vehicles? The stench of exhaust fumes

in London is already appalling. So imagine the relief if small electric commuter cars became an economic proposition for the average commuter, and they formed the majority of vehicles on the streets of Low-

don. Average traffic speeds are already so low that few would suffer real inconvenience. Surely all that is needed to create the necessary demand for electric vehicles is a road-

pricing system applying to pet-rol and diesel driven vehicles only, and possibly a reduced road tax for electric vehicles. I understand that with exist-

ing technology a practicable range for an electric car would be about 50 miles. This would surely satisfy many commuters. Howard Densley, 7 Ealing, W13

Reflecting on the significance of the east German wage explosion

From Mr Holger Schmieding. Sir, in Martin Wolf's excel-lent article, "A nation unified, and yet apart" (July 1). he discusees the causes of the east German wage cost explosion and, hence, the collapse of the production of tradable goods in the east. Let me add a histori-

One East German mark had always been worth much less than one unit of the Bundes bank's product. In the debate on the time of currency The same of the sa union, the Bundesbank Council on March 31 1990, opted for a (socially cushioned) 2:1 conversion of savings and wages. A few days later demonstra-tions in the still-GDR sprang up against this alleged "halv-ing of wages". On April 22, Chancellor Helmut Kohl ruled in favour of 11 for wages in favour of 1:1 for wages.

By overriding the Bundes-

participated in the session of the Bundesbank Council -Kohl gave the signal to east Germans that Bonn was willing to disregard monetary and fiscal considerations and to let the west German taxpayer foot a large part of the east German wage bill. Thereafter, nothing could have stopped east Ger-mans exploiting this soft bud-get constraint to the fullest.

minister of finance who had

Encouraged by west German mill unions, but the unions further massive wage - which the managers of state-owned and state-subsidised

happy to grant. The Bonn government can point to one important political argument in favour of its 1:1 approach: in early 1990, it may have been necessary to give in to most east German demands in order is make sure that nothing could get in the way of political unification. Indeed, the political outcome of immediate and peaceful reunification within Nato and the EC and with the consent of all our neighbours is so marvellous that one may well grant the politicians the benefit of the doubt in this respect.

Nonetheless, Bonn should at least have braced itself for the economic slump which had thus limit inevitable in the east. Unfortunately, few precautions were taken to alleviatt the impact of the wage explosion. The political debate on non-distortionary kinds of subsidies and on thorough deregulation has begun only with a long May.

The German wage increases are sometimes defended on the grounds that they were triggered by actual or impending migration. Politi-

this argument is valid extent as migration was clearly on the minds of some the politicians who made promises to east Germans; economically, the argument is mistaken. Wage increases which firms had simply granted to keep valuable work-ers would not have caused unemployment, ie the dismal outcome we observe in Germany. The threat of mass unemployment which resulted from the east German wage explosion may induce more east Germans to go than any wage differential. Holger Schmieding, Franckestrasse 9. D-2300 Kiel 1, Germany

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Mitterrand support for threatened US military action against Iraqi nuclear sites

France ready to join attack on Iraq

PRESIDENT François Mitterrand warned Iraq yester-day that France would join the US in any new military action II Baghdad failed to give full details at its nuclear pro-

President George Bush, who held talks with Mr Mitterrand G? summit meeting in London, immediately welcomed the warning. "I am convinced that once again France and the US are looking in the same direction on this important matter," he said at a joint press conference for the two heads of state. Mr Mitterrand said earlier in

French television "If we have to protect peoples which are martyred, persecuted, and by the government of Saddam, if we see Iraq arming itself with nuclear weapons, then military in the state." vention will be just."

His remarks follow almilar

warning last week from Mr John Major, the British prime minister, and align the US, Britain and France, the main prosecutors of the Gulf War against Iraq, on a possible fur-ther military against

suspected Iraqi nuclear sites.

Mr Mitterrand said
Iraq appeared to be
down from a position of nonco-operation with UN nuclear investigators "foot # foot" and that the UN's warnings had begun to be heard". He said no decision had been

taken to reinforce France's military presence in the region but added that he was ready to do this if necessary.

Throughout military

build-up and eventual war against Iraq. appeared nore restrained than either the US or the UK in its willing-ness to step up the use of force and was determined to stick in the letter of UN resolutions



President Mitterrand inspects injured French soldiers who served in the Gulf War before Paris' Bastille day narade

Mr Mitterrand said that he wanted any future intervention to be targeted on nuclear sites information about must be "sufficiently certain" to justify an attack. "Our effort must be rea-sonable, reasoned — we must remain very faithful to live

Iraq meanwhile responded to mounting pressure to expose its nuclear programme full UN scrutiny both by launching diplomatic to head off a possible US strike and by handing over a second detailed list of facilities and equipment to UN investigators

night, follows Iraq's revelation ducting a wanium The latest programme, which Beghdad said was purely for Yesterday's further disclo-

sures follow a meeting late last week at which the UN ambas-

cil's five permanent members told Mr Abdul Amir al-Anbari, the fraqi representative to the programme by July 25. British officials would not spell out the possible consequences if Iraq failed to comply.

Violence threatens Yugoslav peace accord

and yesterday in in jeopardy the memorandum to implement Brioni

on Saturday night.

A gun battle between Croat police units and Serbs broke out in Donii Cuntic, village 30 miles south-east the capital of Croatia, after Serbs surrounded the village police station. Four villages in line including Donit Cuntic, were reported to have been evacuated; heavy gundre was heard elsewhere in eastern Croatis. Local hospital staff said three police officers had been wounded, though detailed casualty figures were unavail-

The memorandum, agreed between representatives from the European Community, Slo-

By Yvonne Preston in Beijing

WATER wels in all big rivers in eastern China continued to rise at the weekend with more

torrential rain for

some of the areas hit hardest by floods. Eighteen of its 30

provinces are affected by some of the country's worst flooding

in years and than 1,000

people have died.

While torrential rain and

have killed 101 people in the northern part central

China's Hunan province since

June 30, severe drought in the southern per has left hun-

the Brioni accord. The presidency also accepted the accord, which was drawn up by the EC

last week. The conditions include sending between 30 EC observers who will monitor the ceasefire in Slovenia and, if necessary, in Croatis, for three months. They will also supervise a three-month suspension of Slovenia's and Croatia's dec-

The fighting in Croatia came a day after Mr Stipe Mesic, a Croat and president of the state presidency, said Croatia would not disarm in local paramilitary units.

racks of Slovene and federal units, and a three-month moratorium on the implementation of Slovenia's and Croatia's dec-However, the acceptance of

the Brioni accord was linked to fresh demands which were set by the presidency but infin-al by the federal army. The presidency stipulated

scripts into the fellow many be resumed in return

for demobilisation in units

trapped by finds and 380,000 houses and 11,000 factories

have been submerged.

More heavy rain is forecast.

along the upper and middle reaches of the Yangtze River and many towns and cities are

Stere Tem people are

destroyed, 1m man

damaged, 2m people are home-

areas under water are suffering

• All local paramilitary units he disarmed by July 18. These include units in Slovenia and The remume of con-

Chinese floodwaters rise as toll passes 1,000

The disarming of all paramilitary units in the republics, with the exception of federal army units and regular police

The city of Wuhan, capital of Hubei province on the Yangtze River, had 1,659mm of rain, 30 per cent of the total rainfall in

a normal year, in two weeks,

breaking an 1880 record. More than 50,000 dwellings in the

city have been submerged and

tens of the people

have been evacuated to facto-

and perch in makeshift on the

Yangtze dykes.
The level of Lake Taiha

of the five biggest lakes in China, in the densely popu-

forces, had been agreed at the presidency.

The accord called for a ceaseto the federal army.

However, the presidency's order was completely and mined as soon as Mr Mesic returned to Zagreb, when he said Croatia would not disarm its own republican guard.
in the climate of increasing

polarisation between the republics, the Croatian government believes the federal army is increasingly becoming a Serb-dominated army that will detend the Serbs in Croatia Croat police.

In addition, Mr Mesic, and Mr Franjo Tudjman, president ul Croatia, are becoming increasingly hostage to Croa-tia's far-right nationalists.

grain to stricken areas where

ghting the floods

Im soldiers and civilians are

Agricultural Bank of

China has promised loans

worth Yn5bn to government departments organizing flood relief. China Daily reported at

the medical last Tave in compensation had already

been paid by the country's main furnamen underwriter, the People's Insurance Company of China. Claims so far total Yn700m. Insured properties account for only a small

on N-treaty

Editor, li Washington

substantially narrowed their differences over the treaty to reduce both sides' long-range

August. President Bush said Lat As an indication of their

determination to finish the determination to linish the talks after several abortive attempts, Mr James Baker, the US secretary of state, and Mr Alexander Bessmertnykh, the Soviet foreign minister, postponed their planned department from Washington.

The main outstanding issue concerns downloading

ing missiles rather than build new ones with a smaller war-head capacity.

The US has been concerned that in a cruit the Scricts might load the missiles with their full complement of war-heads and apply the remaining quots to other missiles not being used.

urances that the US would missiles onto

Negotiators the mainly been sorted out.

The length of time the talks are taking shows the complexity of the issues and the desire at the highest level to reach a deal.

Moscow and US draw closer

By Peter Riddell, UE

THE US and Soviet Union have

nuclear weapons.

Negotiators were last night in their fourth day of intensive taks aimed at finalising the Start treaty, which the US has said must be agreed before President George Bush goes to Moscow for a summit with President Mikhail Gorbe The are still hopes that such a meeting might be held this month or in early

night in France that the nego-tiators were "very close", although some problems need to be finalised before "we can say that we have a deal".

concerns downloading warheads each side can keep on its missiles, which can often carry up to 10 warheads, while still remaining in the much reduced limits on num-bers of warheads set by the

Each mile would prefer to carry fewer warheads on exist-ing missiles rather than build

being used. The have sought

two difficult issues - the defi-nition of new types of missile and exchange of information in the monitoring of each oth-missile have have

Why lay investors are afraid of the City

Local authorities, we read, are rushing to switch their depos-its into familiar high street banks and building societies.
This has been widely described as a flight into quality in wake of the BCCI closure.

This sounds quite despite the threat to many smaller banks - a belated display of prudence. Give R R proper name, though, and the message is bleak. It is m flight City; in market once boasted and in no longer know whom to trust. This is not just w response to BCCI, or indeed to our long parade al hell malale. parace

Matthey, Guinness,
Blue Arrow, Barlow Clowes,
Lloyd's and all the rest. in New
York, corporate managements borrowed some \$600bn in line 1980s to buy themselves out of the market; com timi they dame took him a problem to an investment banker or even a corporate lawyer for fear they would be "put in a play" - the casino language is revealing. Clients feel like potential victims.

Even without scandals, investors would have ample cause for worry, for there is far too much plain incompetence on display. Pension fund managers learn from their comparative surveys that those who cause it their funds to City fund managers regularly under-perform the self-

managed funds.
Ordinary personal learned,
heavy cost, to distrust the sort of interment analysis who tipped Polly Peck less than two before it collapsed - some of whom still have jobs.

Hammersmith poll-tax payers were only rescued by the House of Lords from the losses incurred by the City whiz-kid they had hired to manage their interest rate exposures, which them luckier than Lyons shareholders, or Tokyo investors and discovered that hig losses are for

little people.
At least, though, Allied Lyons the section; got an apology and a resignation; Nat-And directors also did the decent thing after Blue Arrow was exposed. Tokyo investors saw those who had impover-ished them suffered only red faces, a humiliating formal bow, and a slap on the wrist-the victims are understandably sulking. The money brokers who placed local authority with BCCI are skulking; and in professionals who helped Hammersmith to get so whinged about the law, with



By Anthony Harris

needle Street. What we are seeing here is a dangerous decay in professional standards. What is the explanation? Some would simply say that standards were bound to be damaged in the Big Bang. The old and highly effective self-discipline of the City when it was an in-bred cartel could not be replaced by rule-books, however long and burdensome. That an argument that the Bank of England used to rehearse end-lessly, and there is a lot in it.

Let me have men about me that are fat, and such as Leep o' nights . . . '

(Shakespeare, Julius Caesar)

The old that of club; as one clearing banker was heard to remark after the Johnson Mattremark after the Johnson Matthey collapse: "We should really be blaming ourselves. After all, none of them had ever met a single real of their bound."

That form of self-discipline was bound to be weakened by the abolition of exchange control of their bound.

trois in 1979, when we excluintergrated with the said and rapidly growing international market in London. Nobody could expect to know all the

players any more.
The old system conferred large privileges on its mem-bers, but they all knew that privilege confers obligations. The members grew fat on privi-information, excessive dealing commissions and largely unnecessary underwrit-ing fees - in the days of truly punitive taxation, one promi-nent financier kept a pile of for less privileged guests to sign. But in return for these feudal rents, in it were, then behaved like aristocrats: lazy, not always clever, but almost invariably honourable, and determined that III outsider would suffer if one of their number misbehaved.

In supporting high standards, easy money was probably as important as the network of old school friendships. Certainly the timing of the scandals in London suggests much. Deregulation made in cat's cradle of mutual acquaintence potentially fragile but tance potentially fragile, but for a time the great bull market kept everyone comfortable. It took the recession to break the weakest ties. Most of the worst cases in London been at bottom efforts to cover up and recover losses (though wrong-doing in New York has been more varied and excit-

ing); there are no longer the funds to support a regime of richesse oblige.

Shakespears knew something an Bank of England apparently forgot when I apparently forgot when U allowed gross over-capacity to be established, casting itself as Darwinian God of natural selection. It got what it inad-vertently wanted, red in tooth

and claw.

What's to be done now? It is certainly not possible back to the old regime, but everyone must by now be aware of the dangers of the new one, and perhaps a little less hypnotised by such slo-gans as "efficiency" and "com-petition" in a field where they are not really apt. Making deals is not like making wid-gets, and the discretion expec-ted in good client relationships which works hard for transpar-ency, but relies on chinese walls to prevent too much of it.

One part of the old regime is surely worth a second look: single capacity (the rigid separation of dealer and principal). We should also study system of taking falled banks into administration, as the Chicago Fed did with Cardinages. cago Fed did with Continental Illinois - only don't it which may have blocked such thoughts until now.

Meanwhile, supervision must be tighter, and financial products should carry bigger health warnings. In the long run, it is true, the problem could solve itself — frightened outsiders dealing only with a respectable core of major houses which maintain standards by using the blackhall, like a club. That's how it hapmened the first time round. pened the first time round.



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The Greenalls Group

For more information contact: Andrey Lloyd-Kitchen, Corporate Communications Executive The Greenalls Group pic., Wilderspool House, Greenalls Avenue, Warrington WA4 6RH. Telephone: 0925 51234 Fax: 0925 234991

A national force in hospitality

dysentery, malaria and other diseases, according to the lat-est updated reports. So far China has spent 400m yuan (563m) on disaster relief lated coastal Jiangsu province, is still rising. In the nearby cities of Suzhou, Wuxi and dreds of thousands of of rice paddies dry and more than 600,000 people short of US warned on trade, Page 3 Human rights mission, Page 1 Changzhou, 320,000 people are and sent 700,000 tonnes of

UK's Midland Bank had secret defence sales unit

group and in relation to Mid-land own shareholders. The latest accounts filed at Companies House show that this mysterious group has now ceased active operations, with the parent company still show-ing accumulated losses of more than £30m after a number of attempts to recapitalise and

restructure the group.

Most of the MITS subsidiaries have now been incorporated into other parts e the

The Midland defence team worked comment departments.

One of its leading members, Mr Stephan Kock, a non-execu-

WORLDWIDE WEATHER

tive director of Astra Holdings, the troubled munitions company, had links with Britain's intelligence ces. Astra is the subject of a British Department of Trade and industry

inquiry.

The team had a wide-ranging brief w build up Midland's defence business with a partic-ular emphasis on the financing of arms sales to the Middle

East and Asia. The team of military veterans was set up in 1984 and operated in conditions unusual secrecy within the

Mr Geoffrey Taylor, executive Midland Bank from 1982 to 1986, has told the Financial Times that he had

ment's existence or any of the consultants employed there. He said he knew that one of his senior executives was working on exports of a

"defence type nature".

"I don't think quite frankly
this of such a such that
it ought to have been shouted from the house tops . . . I don't think it's the sort of thing that a chief executive should necessarily know

Mr George Barrett, chairman of MITS is the time and the man named by the bank as responsible for setting up the unit, told Financial Times he cannot recall doing so.

with International Military Services, the UK government's arms sales company. The scope of the defence team's operations and its close ties with the government was described by one of its memfinance, development finance, working capital; some of it involved persuading defence companies to transfer their

bank accounts to Midland." "Clearly we were in very

of Defence and the Foreign and Commonwealth Office over He added: "It was a policy to sell to friendly countries."



Although Japanese confidence has been undermined by political, economic and financial shocks.

the country continues to progress on many fronts. Stefan Wagstyl looks at the challenges as Japan seeks to become a full member of the industrialised family of nations

the country continuing on many fronts. looks at the chall seeks to become the industrialised. The netical state of the industrialised of the industriali The nervous nineties

JAPAN, which ended the 1980s brimming with confidence, has started the new decade with some painful political, eco-The country is under fire overseas for its apparent lack of support for allies in the Gulf trisis and for its reluctance to aid eastern Europe and the

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Is Grow

Straight Straight Straight

Soviet Union : . . Soviet Union
Japanese financial companies have had III headlong international expansion brought to an abrupt halt by the impact of a plunge in the stock and property markets and of a series of damaging scandals. Even industry is sealing its confidence undermined by high real interest rates, conby high real interest rates, con-cerns which the Bank of Japan partly addressed by a half point cut in the official dis-

count rate on July 1.

Mr Toshiki Kaifu, the Japanese prime minister, who is due to arrive in London this week for the summit of G-7 leading industrialised nations, will find it hard to talk as boldly of Japan's future as he

did in Houston a year ago.

And yet, it would be wrong to exaggerate concerns about to the first to th Japan's position in the world. The country continues to make steady progress on many fronts. Disappointment about its failure to take bold political initiatives in the past 18 months stem largely from unrealistically high expectations. Japanese officials had hoped to have time to develop an international political role for their country at a leisurely pace. Instead, they have been forced to give answers to questions they had only begun to consider. It should not be surprising that their response has been hesitant en hesitant

The turmoil in the financial markets is mainly the after-effects of the unprecedented boom in equity and land values in the 1980s. Investors who were tempted to over-borrow when the cost of money was low are now paying the price for their excesses. Companies which tolerated unethical and even fraudulent practices during the boom are now having their misdemeanours exposed. The general public is angry, and least because the rewards of the 1980s, in comparison with the progress of the previous II years, with so mequally shared.

Underneath the financial "the bubble economy", the real



On the look-out: a Japanese sailor keeps watch aboard a minesweeper in a s.his countrymen consider options for a greater contribution to international affairs

development and prod-ucts. The growth in has slowed, but remained it high level if labour shortages, high it and weak demand are squeezing some companies, their international rivals in a much war position. In world slowdown, Japan's output is expected in grow 3.5 per and III. year, compared with an OECD

age of 1.2 per card and around zero for the US.

Nevertheless, as this survey will show, Japan has some anous challenges to face if it is to fulfil its policymakers' wishes of becoming a full member of the industrialized family of the industrialised family of

The most immediate question is foreign policy. The Gulf crisis brought the US and Europe closer together, if only in a unique feeling of solidar-"the bubble economy", the real ity, but it served to underline important differences between strong as ever. Companies continue to pour funds into plant

Ty, but it served to underline important differences between Japan and other G-7 countries. Notably, in spite of the fact

that Japan obtains 70 per cent of its oil from the Gulf, Japa-nese felt the crisis essentially had little to do with them. But in the wake of foreign criticism of its position and the

stimulus of constant television coverage of the war and its tragic aftermath, Japanese have started to question some of their basic assumptions. In particular, politicians have acknowledged the country's pacifist constitution need not be interpreted as strictly as it has in the past, when the over-seas despatch of any servicemen on active duty was ban-

The decision this spring to minesweepers to the Gulf was low Japan momentous one — though it taken only after in tighting had ended. The ruling Liberal Party discussing the forma-tion of a Japanese force, for deployment in United Nations peace-keeping units. Some politicians are also pressing for a seat for Japan on the UN Secu-

rity Council - although expect this in be granted quickly given the complexities

A popular argument in Tokyo is that "one-country pacifism" is no longer enough: Japan to assure the peace of the world. The principle being applied to Development All Japan, which had low countries which have an over-large military budget us

Japan's alies will see bow it changes in tude affect policy. A grawill be President George Bush's natural the the Gulf war, he was fond of promoting a "global partnership" with Japan, but he dropped the rhetoric during the crisis the sounded beller to be sounded to be hollow. Japanese officials are anxious that the these should return in the presidential Brussels, the politically more important surplus with the US is well down.

Also, Japanese foreign investment is provoking less anger than it did even a year ago, since the country's long-term capital outflow fell sharply last year — to \$43.50n from \$89.2bn. Curbed by high interest rates, Japanese companies paused for breath after the rapid expansion of the 1980s. Even allowing for Matsushita Electric Industrial's \$6.1bn purchase late last year of MCA, the American communications combine, high-profile acquisi-tions of the kind which raise political hackles have become

Western countries' chief eco-nomic concern with Japan is no longer mainly with formal barriers preventing entry into the Japanese market but with so-called informal obstacles — including restrictions on investment in Japan, the distri-bution system, and the high cost of doing business. Some western officials are particu-larly concerned about Japa-Western countries' chief ecoharly concerned about Japa-nese groups' dominance in key industries — including elec-tronics — which threatens to drive some of their American and European rivals out of

Japanese officials admit furreforms
needed. In the of senior foreign ministry
"Japan has system which works perfectly as a closed system. But when you introduce foreign elements it goes wrong. The system has to be read-justed." But the problem is that delv-

Unfortunately for Japan, attention in Washington

focused on eastern Europe

and the Soviet Union, where

and little experience in offering

support. It has contributed

handsomely III EBRD development bank but is reluc-

tant to become more actively

tant to become more actively involved in aid. So, as in the Gulf war, Tokyo risks being isolated from any common affort put together in the US and Europe. There are, of course, policy differences on the matter between Washington and European capitals, but these might be put aside if the crisis became even more acute than it is already.

Underlying Japan's political relations with the US and Europe are the constant tensions over trade. The battles

are less fraught than in the mid-1980s because of a fall in the overall trade surplus to

than it is already.

ing deep into the Jacobian economy leads foreigners to demand complex and sensitive changes. So the risk of appearing to bully Japan increases and with it the danger of a hostile Japanese reaction. Japanese are becoming more and more insistent that western countries' lack of competitivecountries said of competitive-ness is largely their own fault. For example, the US-Japan talks called the Structural Impediments Initiative (SII) covers weaknesses in both economies, not just Japan's. As Mr Masaru Hayami, chairman of Keizal Doyukai, an employers' association, says: "Interna-tionalisation does not mean westernisation. It's a two-way process." \$52bn last year, down from \$78bn in 1988. Although the surplus with the EC is now ris-ing to the consternation of

IN THIS SURVEY

ECONOMY: Japan's trade surplus has started 🛅 rise again that the opening of the Japanese market is direct investment in 🔤 I 🚾 I 🚾 I year, after 🖛 years of rapid expansion.....Page 2 POLITICS: Japanese politicians have been mmdemned for their slow

crises. IIII Thomson looks II the complexities of political life.................. Page II FINANCE: High interest the collapse of the Tokyo market, and financial Mathati have sapped the and securities

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GLOBAL CONNECTIONS



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zontal and vertical keiretsu. However, he also finds weak

evidence that vertical keiretsu

tend to boost export perfor-

mance, which suggests that

these links also raise economic

efficiency through risk and

Mr Gary Saxonhouse, of Michigan University, argues

that keiretsu are an issue

whose time has passed. He believes the deregulation of the distribution system will reduce

the share of imports handled

by trading companies, allowing

foreign companies to bypass

any remaining obstacles cre-

The Japanese government, through the Japanese External Trade Organisation, has been

promoting direct links between

foreign manufacturers and

domestic Japanese retailers.

Jetro, originally set up to pro-

mote Japanese exports, now spends 90 per cent of its budget

Mr Shusaku Hirano, associate director of the import pro-

motion department, says that

Jetro's staff are embarrassed that they no longer have time help Japanese exporters. "We

have to say We have a trade

information-sharing.

ated by keiretsu.

mid-1980s the US highlighted Japan's large current account surplus as evidence that its allegedly cartelised domestic market to imports. Since then the surplus has more than halved, but

accusations intensified. Japan's trade surplus has started to rise again this year, raising fears that the opening of the Japanese market is being reversed. The trade surplus in the first five months of 1991 was 32.4 per cent higher than over the same period in 1990. The Yen value of exports rose by 13.4 per cent and imports by just 9.4 per cent.

'A rising trade surplus spells trouble for Japan's interna-Noboru Hatakeyama, vice-minister for international affairs at ministry of the and industry, w particularly con-cerned by "Japan's widening trade imbalance with the EC". While Mr Hatakeyama's

may politically astute, they are almost eertainly economically misplaced. Japan's current account surplus is a conceptually IIIwed measure of the degree to which

the Japan is open to imports. The current account surplus the difference will total savings and domestic investment. If fell to 0.7 per cent of gross national product in the fourth quarter of 1990, from a peak of 4.5 per cent of GNP in 1986, as Japan's domestic investment accelertheir savings.

The real law law worth reversed this year as the gap Japan's savings and domestic has wid-ened again. Higher Japanese interest rates, introduced in response to asset price infla-tion, have reduced the growth of invest and consumption. The surplus is likely to the annual rate of Japanese economic growth drops below 4 per cant this year, from 5.6 per

cent in 1990. While the current balance M determined by macro-economic aggregates, more sophisticated critics point to Japan's low ratio of manufactured goods to GNP, and to high imported goods prices, as evidence that Japanese market practices restrict imports.

This criticism of Japan has continued alongside rapid increase in Japanese imports in recent years. The volume of manufactured imports rose by 117 per cent between 1985 and

Barriers come down but trade gap widens

Trade and current account balance

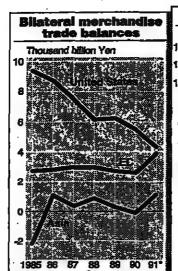
the first quarter of 1991, while total imports grew by 63 per cent. As a result, the share of manufactured goods in total imports rose from 41.8 per cent in 1986 to 50.3 per cent in 1990. In fact, Japan had a faster growth of import volumes and

a slower growth of export vol-umes than either the US or Germany between 1986 and 1990. The main reason was the yen's 42 per cent appreciation between 1985 and 1989. This made Japanese exports expensive, imports cheap and encouraged Japanese companies to invest domestically.

Yet Japan still imports a sur-prisingly small volume of manufactured goods relative to its economic size. The ratio of Japanese imports of manufactured goods to GNP was only 3.4 per cent in 1990, compared to 5.9 per cent in the US and 14.5 per

There are four commonly explanations for the relatively closed nature of the Jap anese economy: Japan localist and many official trade barriers; collusive practices by Japanese compa-nles; and consumer attitudes.

That Japan's import to GNP ratio is relatively low is not conclusive evidence of structural barriers to imports. For Japan's exports of manufac-



tures were also less than half those of Germany in III.
Japan's peculiar mix of factor dowments and its relative isolation, geographic and cul-tural, contribute to its low ratio of total trade 📟 GNP. Nor is Japanese trade policy any more overtly protectionist than in other developed tries, with the exception of the politically sensitive rice mar-

Have Japanese companies, then, erected barriers to hinder the inflow of imports? There is evidence that imported goods sell at much higher prices in Japan than elsewhere. I joint study by the US department of commerce and the ministry of trade and industry in 1989 found that exactly similar goods were on average 99 per

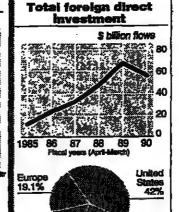
reflect a decision by foreign producers to sell their products in low volumes at high prices? Not so, according to Mr Robert Lawrence, a senior fellow at the Brookings Institute¹. Mr Lawrence shows that the average export unit value of the US goods included in the joint survey was only 17 per cent higher when sold to Japan

Exports 1986-90

10%

than to Germany.

The bulk of the mark-up is, instead, absorbed by inefficient



Cumulative shares, 1985-90

being a result of the lack of competition between retail stores. But surveys also find that prices of exportable goods are more expensive in Japan. This evidence does not show that imported goods are discriminated against.

An important reason for the

Jugan distributors, this

inefficiency in retailing has been Japan's Large Scale Retail Store Law. In practice, law to delay the opening of new retail stores while they consulted with existing retailers, resulting in uncertainty and delay for potential investors. New stores, it is argued, are needed if imports are to be made available to consumers. In last year's Structural

Impediments Initiative talks, Japan agreed to amend, though not to abolish, this law. It has limited the waiting period for new stores and partially exempted stores that sell imports. There has been a rapid increase in new stores.

A related criticism concerns the behaviour of Japan's dis-tinctive system of interlinked corporate groups, or keiretsu. Mr Lawrence argues that keiretsu obstruct imports because general trading companies do not import goods which compete directly with products produced by a group member. In 1986, Japan's nine largest trad-ing companies handled 66 per cent of total Japanese imports. There are two main types of

keiretsu: horizontal ties between companies in different industries, normally including a trading company and a lead bank, and vertical ties between a big industrial company and its suppliers and distributors. Mr Lawrence finds that import penetration is low in industries dominated by hori-

car manufacturers, that Japanese

companies will squeeze out domestic producers. These fears have arisen even though the stock of Japanese

foreign direct investment in Kurope

was just one quarter of US direct investment in 1990.

The Japanese government is will-ing to restrict the share of Japanese car exports in total European sales

until 1999. But the EC also wants to

include the output of Japanese affili-ates based in Europe.

Mr Hatakeyama, vice-minister for international affairs at the ministry

of trade and industry, believes that it will not be possible for the EC to restrict the flow of Japanese-pro-

duced goods in Europe once the single market is complete. "Germany

library here — come down and look for yourself." Since competition policy seems in obvious way to reduce the remaining obstacles to the availability of imports, the Japanese government agreed to strengthen the Fair Trade Commission's monitor-

part in the SII agreement. Miti's Mr once the government land had keiretsu will intervene by applying Japan's anti-mo-nopoly law. "But it is quite unusual to find bad keiretsu." The US Justice Department frustrated by Japanese inac-tion, is considering anti-trust suits against US subsidiaries of

spanese companies.

keiretsu companies as

Yet even if competition policy is applied more rigorously, there is one barrier that trade negotiators can do little about Japanese consumers' legend-ary preference for Japanesede products. Mr Katsuhiko Nakayama, general manager of the foreign trade department at Tokyo's prestigious Mitsukoshi department store, summed up this attitude. "The most important barrier to imports is that there are few goods that we would want to import."

ket, where imports are com-pletely prohibited. than in the US. Expansion abroad curtailed

JAPANESE foreign direct investment slowed in the 1990 fiscal year, after five years of rapid expansion. It was 16 per cent lower than in 1989 when measured in current dollars, but 366 per cent higher than in 1985,

per cent higher than in 1985.

Many Japanese companies have moved production out of Japan as the appreciation of the yen since 1985, and the growing labour shortage in Japan, have made exports of Japanese produced goods increasingly expensive. Rising trade barriers to Japanese exports have also increased. Japanese exports have also increased their incentive to locate production within target markets.

The main attraction of Asia for

Japanese companies is the abundant supply of cheap labour. "Low cost labour" was cited as a reason for 37.4 per cent of Japanese companies investing in Law countries, compared to 1.1 per cent in the US and sero in the EC, according to a conducted by the Japanese govern-ment-owned Export-Import Bank. The survey, conducted in November 1990, covers IV companies with more than three overseas affiliates.

tted as a factor for 31.7 per cent of investors in Europe but for less than 20 per cent of investors in Asia.

These differences in motive for investment are reflected in the destination of the final products. In Europe, 96.1 per cent of sales of Japanese affiliated manufacturers were to Buropean market, according to a survey of 3,331 compa-nies with affiliates abroad conducted last year by the ministry of trade and industry. In the US, 93.1 per cent of sales were for the domestic market.

sales were for the domestic market.

In Asia, 38.1 per cent of production was exported; and 15.8 per cent of total production was "reverse imports" – exports to its and Japanese subsidiaries located broad. Only 4.5 per cent of US-produced goods and 1.7 per cent of European production were exported to Japan.

Last decline was concentrated in benking, insurance and real

companies cartailed their expansion plans in the face of high interest rates and a weak stock market.

Japanese foreign direct investment in the US fell by 20 per cent in 1990 compared to 1869 and by 3.5 per cent in Europe when measured in current dollars. Direct investment in manufacturing fell by 5 per cent but manufacturing investment in Europe rose by 48.7 per cent on the previous year.
Lower levels of Japanese direct
investment will continue up to 1998,
according to the Export-Import Bank

survey. Only 41 per cent of the 277 companies polled plan to increase their foreign direct investment, down from 84 per cent in the 1989 survey. The recent trend in direct invest-ment away from the US towards Europe and Asia will continue, the survey says. Asia is the location for 43.9 per cent of planned investment projects; 30 per cent in Europe, and 19.4 per cent in North America. Within Asia more than half of the planned investment will occur in Within Europe the UK has been the

most popular location for Japanese direct investment. UK received 48 per direct investment. UK received 48 per cent of total foreign direct investment in 1990, followed by the Netherlands with W per cent and France and Germany each with 8.8 per cent. The UK's pre-eminence will also be challenged, according to the Ex-IM survey. Germany and the UK share 47 per cent of the total planned investment projects in the EC, with France in third place with 14 per cent.

tant to invest in eastern Europe.
There are only 18 planned projects there, compared to 219 in the EC.
The rapid rise in Japanese investment in Europe has raised fears, per-ticularly among French and Ralian

tion of putting barriers up at their borders, he said. "And if they put up barriers between France and Ger-many and ask What is the defini-Laurence, R. T. Efficient or Rechestorist. The import behaviour of Japaness corpo-rist groups, Brookings Papers on Lea-ponde Activity, Summer 1811 (broken-Edward Balls onhouse, G. R. Comment, on, cit.

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JF FLEDGELING JAPAN LIMITED

ANNUAL RESULTS TO 31ST MARCH 1991

■ Performance in Yen over 12 months to 31st March 1991 MMV per share

TSE Second Section index • Good relative performance against a difficult market

Investing in smaller companies with considerable growth potential

Chairman's Statement

66 The last twelve months have seen with of the most violent gyrations of mount years in the Japanese stock market, although, at least in relative terms, your Company has withstood these influences with reasonable stability.

The late 1980's saw a boom in Japanese municipal and real man. The 1990's so far have experienced the painful unwinding of earlier and the We believe that the man appropriate policy in the circumstances to recommend our portfolio on those areas of the economy and individual companies which have strong growth characteristics, independent of the general health of the economy. Such policy was successful during is subdued period following the 1973-4 oil shock and recession and we anticipate further success. This should also augur well for our specialisation in smaller companies since their relative lack of maturity manus that they are better equipped

take advantage of the opportunities that exist. We remain confident of our policy and that the environment in which we operate will provide attractive returns. II

P.A.F. Gifford Chairman 24th June 1991

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One Connaught Place, Hong Kong, Ann: D.R.Howard, Tel: (852) 843 8888 Pax: (852) 845 or Fleming Investment Trust Management L. (Member of 1948C) 25 Copthall Avenue, London SCZR 7DR, Tel: (071) 638 5858 Pax. (071) 256 6817 Approved for issue in the U.K. by Fleming Past performance is not necessarily a guide to future perfor The value of securities may fall as well as rise and changes in rates of exchange may cause the valu



31st March 1991

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paress military

THE THE GOVE

on agricultural limit in 🚻

Uruguay Round 🜌 multilateral

negotiations. But LDP politicians have decided that they will not announce their deci-

sion until the EC and US

reached agreement on agricul-tural trade, and international

then becomes focused

on Japan - an opening under these circumstances will

easier to sell to the farm lobby.

halanced foreign policy is the

LDP members a turn as a min-

ister. This enhances their pres-among will voters,

also means that ministers do

ir Taro Nakayama to remain

a ministerial reshuffle

Another obstacle to u better

MR HISANORI ISOMURA portrayed himself as the governor that the cosmopolitan city of Tokyo richly deserved. Much travelled, finent in French and titled A Touch of Sophistication, Mr Isomura performed dismally at the polls. But the failure of the man

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dubbed "Mr International" cannot simply be blamed on an enduring parochialism. His defeat in the April election reflected some of the complexity of Japanese politics, with the frequent unholy alliances and the deals done among local branches that have influence an Japan's foreign policies.

The governorship remained in the hands of Mr Shunichi

Suzuki, an 80-year-old who won the sympathy vote after losing the backing of the Liberal Democratic Party (LDP). Mr Suzuki lost that backing partly because some in the LDP thought him too old, but, more importantly, because party relations at the national level with Komeito, or the Clean-

Government Party

LDP leaders needed Komeito's parliamentary support to push through a Gulf War aid package, and Komeito, for its own factional reasons, preferred Mr Isomura to Governor Suzuki. Mr Isomura lost, the LDP got its package approved, and Japan belatedly responded to the international calls for more money, \$30n, and for a military processor in the Call.

military presence in the Gulf, a convoy of minesweepers. While Japanese politicians been generally con-demned for their slow response

The public opposed a Japanese military presence in the Gulf.

to international crises, the Japanese public much behind. The public generally opposed panese military presence in the Guif, and Unapproval rating of Mr Toshiki Kaifu, fell to a low of 40.7 per cent after an earlier peak of 51.7 per cent. He has since been forgiven for his perceived mistakes, and his rating was mal

The difficulties in fashioning foreign policy are even acute at the Social Democratic Party M Japan (SDPJ), the leading opposition party and formerly known as the Japan Socialist Party. Miss Takako Dol has just resigned as leader in take responsibility for party's plunge in popularity, which followed an inability to



Robert Thomson on the complexities of politics

Delicate balancing act for parties

present itself as an accalternative to the LDP. Miss Doi, whose personal charisma drew attention away from her party's deep-rooted factional disputes, was unable to reform unpopular policies that called for the dismantling of the Japanese military, gave scant recognition to South Korea and encouraged the authoritarian regime in Pyong-yang, and demanded an end to

one of Miss Doi's allies in the party, Mr Shigeru Ito, chairman of the policy board, said that she had recognised her weakness in overseeing reforms, which were oppose by the left wing and supported by the reformist right wing. Whereas the LDP's problems formation come from sear or alienating ordinary voters, in policies had even become irrelevant to most of its own members, apart from an influential

Markist minority.
When Miss Doi announced her resignation, she suggested that an important reform package had been completed she could with conscience. But policies, more for party than the electorate, have been made ridiculously



Takako Doi: resigned as leader of SDPJ

in an attempt to keep all facinstead of opposite the min tence of the Japanese military, the party now "directly views" the military - it would be a mistake, party official explained, to say that the policy had been changed, at it would also be a mistake to say it is not be changed.

Japanese voters, parochial as shown their impatience with the SDPJ, and until the party

both foreign and domestic. the country.

Mr Ketsuya Muraguchi, head of LDP's policy planning committee, that, any country, parliamentarians have to the land that any balance foreign responsibilities: "There people la Japan, and some voters ask why we when me lime poverty

problem for Japanese politicians, who are often dependent struction, or lobby such as the rice lobby, invotes and funds. Japan's reluctance to open its rice market is a good example of the new ward compromises that result from the conflicting Japanese government offi-cials decided late last year that

they would allow rice imports to a level of between 3 per cent and 5 per cent of domestic con-sumption, and itself political considerations have made it impossible for the to announce that decision. Tokyo washington to open the market as soon as possible

to stimulate the stalled debate

their minister is a factional or if the prime white has a personal informat in for-Policy changes are difficult in the face of

public opposition While conceding the imporof bureaucrats' influ-Mr Muraguchi the government has a responsi-bility to educate the electorate about Japan's growing interna-tional role. He said that policy changes, whether they be devised by bureaucrats or poli-

> "It can be said that the general public does not have a high level of idealism on intervery difficult for a candidate to win election just on the basis his skills in policy-making. Before you do anything else, you have to meet the needs of the local peo-

ple," Mr Muraguchi said

ticians, are Image to intro-

duce in the face of public oppo-

Impact of internationalisation on a provincial city

New export hub

MR RYUTARO OMORI, the president Chuo Bank, has high ambitions. He foresees the day when Niigata, a port on the Japan Sea, will be the comprising areas of porthern China, North Kores and, most importantly, the far region of the

Mr Omori Ti tionship will United becomes more tense and the E Community become protectionist then the main important for growth will be in south-east Asia and the Union."

For the city, such a role as one of the hubs of trading area would be return to a role it played prior to the Second World War, With the traditional stable of the Cold War, Nigata found itself or its Act Statter for itself on its Asia frontier, fac-Peoples' Republic of China and Union.

The regions and ports on the Pacific coast were the main beneficiaries of Japan's post-Japanese bureaucrats tend to want most of the credit for by contrast, was relatively developing policies and are contemptuous underdeveloped. For its economic levelopmen has short-stay ministers. Est L bureaucrats recognise that policies will have a far limplementation if been tied to that of the Tokyo region. The Niigata economy through improvement in internal transport with the export of the life of Japan. Its textile and machininternational markets, often as sub-contractors to large compa-

nies based on the Pacific coast. Business leaders and politi-cians hope that dependence on the Pacific coast will be significantly reduced in the next few independent international inte

in the Japan Sea region and the USSR in particular. Mr Omori has created a Y1.5bn in winers fund for projects in the USSR, the first companies will be

attracted by raw materials and cheap labour as the domestic labour shortage begins to bits. The Siberians are often happier in turn in Japan for capital than Moone.

takes just 90 min to 1 khabarovsk, the Siberian city compared with aim hours

Mr Kiyoshi Kaneko, the ernor Niigata prefecture, talks of a growing number a exchanges with other regional governments in the Japan Sea independent of government, to promote trade and co-operation between their regions. Mr Yoshiaki Hasegawa, Nii-

gata's mayor. Le city should ave a specific role in promoting trade via Siberia. He says: "It takes about 20 days to ship products from Japan to northern Europe via Niigata to Siberia, compared with 36 days via the Pacific Coast ports. Niigan could an alternative to those ports as an rt outlet for J

Niigata's ambitions in to the far eastern Soviet Union is indicative of its special posi-tion. I I Japan busi-ness executives say the end of the Cold War I had little impact upon them; in Niigata spurring international However, Nilgata's interna-tional ambitions an also indicative of series growing diversity and complexity of Japan's international role.

Ur Kaneko, de governor, the in spite it is growing importance of Japan's rathers with Asian economies, its rela-tionship with the United States should still be the linchpin of

Yet, elsewhere in Niigata there are signs of, at the very least, w growing lack of deference towards the US. Professor Hadetoshi Taga, of the Niigata University law department, recently polled 300 M his stuwould important to

About 70 per cent said the US would remain Japan's most important partner for the next USSR, China and South Land would together become more important than the US.

The main risk is that them seems perilously little to guide

Japan it develops in independent and diverse world deep-rooted consensus that Japan's military role should be

strictly limited to at most par-

ticipation in w peace-keeping

operations: Mr Seiya Imai, managing director of the Nii-gata Nippo, the largest local newspaper say: "Japan does not fight, that is promise we make to other countries. That is not just a policy but a popu-

lar common sense." Mr Hasegawa concurs: "If Japan were to take on an intermilitary he it would threaten other countries. We must work with other countries to make sure that Japan remains a tamed tiger."

Beyond strict limits to Japan's military role, few other international promote much controversy. It is if for most Niigata inhabit-ants, abroad in just in its of markets to sell into or a list of brand names to be bought. There is little social consensus about sort of international power Japan should and it should for.

Senior editorial staff at the Niigata Nippo admit there is little popular interest in issu African poverty which Europe. The government's policy become la largest aid donor has little popular

Although the environment becoming more of a popular SELECTION OF THE PARTY AND THE Japan playing a leading role in combating world's ecology.

Professor To admits to pessimism whether leads will be a high to develop a suit be a block of develop.

Japan will be able to develop a world role. He says: "We in not the international sensibi ity needed to play a role which matches Japan's economic power. It is complete lack of imagination about how Japan should become a superpower and what sort of superis should bear

He cartifule "Japan is the only country which can finance the UI budget deficit and help to pay for the Gulf USSR economy. It has that much economic power relative to the old superpowers and yet what Japan beyond commerce, and profit. It remains

Charles Leadbeater

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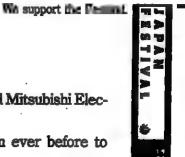
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Tokyo skyline: analysts do : expect a expect a activities of Japan's feeded in the design of the state of the

After a difficult year for financial institutions, Edward Balls traces their progress

Slowed down to a walking pace

HIGH Index rates, the collapse of the Tokyo stock market, and of financial scandals the confidence of Japan's and houses.

Just two years - Japan's financial institutions appeared destined to dominate world rapid international expansion. This growth has since

slowed significantly. The con-tinuing weakness in the Tokyo difficulties meeting interna-tionally agreed capital ade-quacy ratios a quick return aggressive expansion

Mr Shijuro Ogata, ex-deputy governor of the Japan Develop-ment Bank and now a director expect recovery in the activity of Japan's financial

"If banks try to reise capital the stock market will not bear it," he said. "Other countries have stop-go; we have run-walk; and now we are

The second half of the 1980s saw dramatic growth of inter-national assets for Japanese banks. On the back of strong growth of domestic profits, a stock market boom, low interest rates and a strengthening currency, banks increased the dollar value of their international assets by 200 per cent

between 1985 and 1990. Market conditions changed dramatically in 1990. High interest rates triggered a collapse in the Tokyo stock mar-ket and the drying up of the ready source of cheap capital. Banks were unable to raise new capital while the crash reduced the value of the unrealised capital on their equity holding.

International bank (Bad year figures; converted into Yen using IFB eachungs a

The Basie

around half the BIS minimum. The crash knocked more than

50 per cent off Japanese banks

unrealised gains on their equity holdings, 45 per cent of which they are allowed to count as official capital to meet

the BIS standards. Last September all the banks

were below the minimum capi-

Banks continue to face serious problems meeting the min-imum capital adequacy ratios set in 1988 by the Basic com-1990. Measured in yen their assets by just I per cent,

Alcol all Japan's leading of the Bank of International reached the required by the though they struggling again thy of Tokyo link required a minimum capital-asset ratio of 7.25 per cent at the end of 1990, rising to 8 per cent by 1992. Japanese banks had been operating in recent years with capital-asset market's weakness.

compared W 27.7

The banks were not the only Japanese financial institutions to reduce their international activities in 1990. The fall in US interest rates and rise in Japanese rates also contrib-uted to a \$73bn reduction in Japanese portfolio outflows to just 39.7bn in 1990; with Japa-nese investors becoming net sellers of US securities. The recent BIS annual report suggests the diversification of

tal-asset ratio, baving seen an estimated fall of 1½ to two percentage points in their ratios Japanese financial institutions in the previous six months in Life insurance companies

spite of the appreciation of the yen which reduced the value of foreign securities holdings represented 30 per cent of their total securities portfolio at the The banks have since raised new capital by issuing subordi-nated debt and reined back end of 1990, down from almost Mr Salamhiro Kurokawa, their asset growth. The growth of Japanese banks' interna-

Mr Alan Brown, director of Barclays Bank in Japan, believes that it will not be long before Japanese banks resume lending abroad. "If Japanese interest rates fall and the stock market picks up, Japanese banks will regain their appetite

Yet the days of rapid asset growth are past. Mr Tatsuo Yoshida, managing director of the Industrial Bank of Japan, believes that Japanese banks will be more profit-conscious and will stress the quality of their asset portfolio rather than its growth.

This is partly because he elieves the BIS rules will continue to be a constraint, but also because Japanese banks now know they cannot rely on a ready supply of cheap domes tic capital.

ager at the Dai-ichi Mutual Life Insurance Company, confirmed

become more concerned about the exchange risk associated

with weakening dollar dollar

securities in their overall port-

servative about their plans. Mr Kurosawa, president the Industrial Bank of Japan,

does not expect the interna-tional activities of Japanese

"We will not be able to do a rights issue this year" he said, "so we will have to keep to our

'no increase in loan-assets' pol-icy, regardless of events inside or outside Japan." He does

expect asset growth in 1991 to

top 2 per cent.
Mr Kurosawa also accepts

that the exposure of Japanese to troubled real estate

markets in the US and Japan

has made them more cautious

But he pointed out that Japa-

nese banks are much less

exposed to the real estate man-

than US banks, and have a

h lower proportion non-performing loans. "Japanese

banks to recover in 1991.

Japanese banks remain

folios has risen.

The Japanese banks have shifted their sights away from ordinary lending to other feebased activities such as m ers and acquisitions. Mr Yoshida says that the Industrial Bank of Japan will continue to expand its participation in securities activities such as Eurobond underwriting and selling and futures trading, to gain experience in advance of the expected liberal-

isation of the Japanese securi-

Mr Bernard Grigsby, manag-ing director of Barclays de Wedd in Japan, believes sapanese banks abould be more conservative in real estate lending but expects their memories will be aborter than they ought to be. "Once foreign economies have picked up, real estate prices will look cheap again through rosier spectacles," he said. Robert Thomson examines bureaucratic conflict

Divided loyalties

FROM the outside, the eral Party (LDP), Japanese bureaucracy appears said that Japan would compen-Japanese bureaucracy appears mass offiworking in unison, late into the night, for the greater good of Japan. They are seen as self-sacrificing, perhaps con-spiratorial, and the ultimate arbiters of policy.

Events of the past year have highlighted the divisions in the Japanese bureaucracy, particu-larly over the balancing of domestic and international responsibilities, and suggest that politicians have begun to exercise more influence on foreign policy, often to the annoyance of the bureaucratic specialists.

Conflict has been particuconflict has been particu-larly acute between the finance ministry and foreign ministry, and between the ministry of international trade and indus-try (Miti), and the agriculture ministry in the debate over a rice market liberalisation. The finance and foreign ministries tand to differ over Japan's abil. tend to differ over Japan's ability to fund what the foreign ministry identifies as worthy

When US seeking financial assistance during the Gulf war, the finance ministry initially said that \$1bn was the delays in approval for was ultimately another som in war aid contributed to friction between Tokyo and Washington, and led to Japan not receiving due credit for what was a generous contribu-

Both the foreign and finance ministries have been annoyed by public statements made during foreign visits by senior Japanese politicians, who, according to the bureaucrats, acted without proper consultation with the responsible min-

Mr Toshiki Kaifu, the prime minister, promised a \$500m loan to Poland during a visit to estern Europe last year. The ministry blocked approval for the loss to register its displeasure with US-sponsored forgiveness plan for Poland. The ministry has maintained that if debt is forgiven, Japan will it it "extremely difficult" to provide new loans to the country

Mr Kanemaru, heavyweight in the ruling Lib-

sate North Korea for its isolation of the past four decades -Mr Kanemaru gave in to North Korean requests during a visit Pyongyang - but the foreign ministry has since that his promise was not binding because it was made by a party representative not by a

nment official Time disputes over rice policy between Miti and Ihi agriculture ministry, within the agriculture ministry Miti be generally for a market liberalisation. Japan's trading partners would see it as an important symbolic ture. The agriculture ministry, directly responsible policy, is determined to repreinterests II Japa farmers, and has consistently

opposed rice reform.

But the agriculture ministry has factions, including international faction. which is suggested iiii a line in pursued preparations should begin in an in liberal-

However, member LDP man in in remembered as having the agriculture responsible for opening the rice market, as Japanese farmers form a powerful voting bloc. Questions over whether Jap-

anese bureaucrais are acting in the public interest or in the interests of the industries they are supposed to oversee have become pointed since the secu-rities industry scandals were revealed in June Leading bro-kerages admitted to compensating favoured clients and to lending funds to a gangster

group.

The finance ministry is responsible for the securities dustry, but the ministry and the minister, Mr Ryutaro Hashimoto, have been critic-ised for lax control of the secuindustry and for allegcompensation payments

The ministry provides an interesting example of conflict-ing There is a divi-sion responsible for banks and another responsible for securiing financial on the securities

business, advisory councils established by the securities division routinely oppose giving banks more access, while the banking division enthusiastically supports the banks'

A common result of such disputes I an uneasy compromise between the mu industries, and little and and of the public enter or of the interests of small between or depositors. Such outcomes examination withe influence of former senior burnersh in the ministry who have on to positions if financompanies.

Various personal relationwhich oversees in bureaucracy and a training programmes, said that university friendships often into ministry life. is not surprising given, for example, that about 80 cent of the finance ministry's annual fast-track intake have come from Tokyo University, and about three-quarters of those are from the law faculty.

NPA officials run training courses for senior bureaucrats from different ministries, who are said to strike up friendships useful in solving prob-lems involving several minis-tries. The NPA argues that the Japanese system is not as rigid as generally portrayed, and that there are mid-career promotion opportunities for tal-ented bureaucrats.

of the LDP's policy planning committee, said that politicians appear to be exercising more influence on policy because of the parliamentary "tribe" network. Politicians frequently become members of a "transport tribe" or "con-struction tribe", which will focus on issues in those sec-

Will always have rely we bureaucrats for details. The party itself doesn't have much of this sort of information. But often the bureauare handling it same years, and the politicians have more experience. The balance of power is shifting in the poli-ticians' favour," Mr

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JR West: Your Entrée to the Bounty of Kansai

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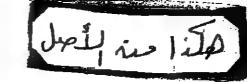
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JAPANESE designers are preparing for their moment. For the past two decades Japanese companies have built up a regulation for making technologically sophisticated prodnote at low cost and high qual-

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But the style and design of most of the products whether cars, cameras, watches or televisions was largely derived from and dependent upon the

Although leading companies have had design departments for decades – Toyota estab-lished its design department in 1948 and Matsushita, the electronics company, followed in - for years designers merely clothed products dreamed up by engineers.

Japanese products have flooded on our and

into our living rooms but withof Japanese style or values. Italian products are classic or US products in the post-war era were emblematic of the American dream, Japanese products seem rather bland. All that could be about to change. set of developments means Japanese design is coming into its own and the Japanese contribution to design, as becomes more pervasive and

A good example of the trends at work is the development design at Seiko, the world's leading watch manufacturer. Seiko will used to compete on the superior accuracy of the quartz technology the company developed and industria-

Now accuracy is no long a competitive edge as other manufacturers have taken up the

quartz technology. To retain its leadership in the industry Seiko has to rely upon design to exploit its tech-nology and to create greater choice and diversity, according to Mr Tsutomu Mitome, general manager of Seiko's marketing department.

So technology now delivers not just accuracy but the ability to compress into a watch a wide variety in functions which can is tailored aparticular as sports or watches for inter-

good example of the trends at work the development of design at Selko, the world's leading watch maker

launches about 2,000 new models a year.

we are in the fashion business as much as the watch business

Charles Leadbeater looks into the future of high-tech products

Age of designers arrives

with a background in precision

engineering."
This theme of commercialisation of technology to ate more sophisticated, compressed products is me heart of the Japanese which are transmitted through

There are several strands to this theme.

■ The Japanese are constantly seeking slimmer, more com-pact, lighter products. This has brought technologies video cameras within the financial in technical reach mass market. ■ There is little waste, few frills and no extravagance in

Japanese products; everything purpose. Designers at companies such Toyota and Matsushita man lim importance of designing mass products, with a commercial application. The Manual Manual high and low culture in Europe We not apply in

■ The notion ■ consumption is different. Mr Masatoshi Naito, director al design at Matsushita, "In the West



Toyota MR2: a breakthrough for Japanese designers

there is an in of consumer durables, lasting long time. Here it is part of our culture to accept constant change, nothing is permanent."

The view involved in constant cycle of consumption of one generation of products after another. Japanese designers contrast this with a western of products "lasting monuments". This acceptance that prod-

make their name from a style or look. Here we on making products which people want to use. We start from

stantly in danger of being over

taken means that designers in

Japan focus on the use of the

product rather than in on according to Mr Kenji Ekuan, president of GK Indus-trial Design, who is widely

regarded as the father of Japa-

nese industrial design. Mr Ekuan says: "In the west

what people want and work from that. In the you have designers as crusaders to impress values upon people."

Since the turn I the century

Japan has been to west-ern influences which are now resurfacing in products. Mr Ekuan "We are a more cosmopolitan culture than, instance, Germany, 🔛 📖 📓 comes from our and absorption of foreign influences." Japanese consciously attempting interna-

tionalise their is activities.

Mr Morohoshi, general manager of Toyota's Tokyo design centre, talks of collaboration with sister in Brussels and California which will contribute to designs for products made for any market in the world. ■ Japanese designers talk ■ starting in developing a dis-

myfin styling. Mr Halb my Matsushita will the autumn launch La Lai corporate strategy intended in

commonality in the company's

The model that strategy will be Matsushita's best-sell ing television in Japan, which uses a "noiseless design". It is simple, flat and black with the speakers ingeniously disguised beneath plastic panels excially developed for Matsushita. There are knobs, lights or switches, the the can just concentrate in the

This simple, noiseless, uncluttered will be the for of Matsushita

Mr Naito "We are ready to start showing the world my original designs, but I doubt many as such

Any developments in styling will probably be owed, especially in electronics, by technological developments. At the first stage these devel-opments will enhance existing

There is little waste, few frills and no extravagance in products; everything has a purpose

products we commonly use in High-definition television will allow to watch higher quality television pictures. Digital technology will allow us to listen to more sharply defined music. Microwave technology will allow us to walk around the house listening to music through headphones which are not connected by wire to any

tape deck. All these products are so that we will gradually use the space in our homes

differently. But in time two other devel-opments will come more to the fore. First, the Japanese are increasingly applying technology to people rather than

So soon not just our livingrooms but our very will be equipped with technology - lap top computers, mobile telephones, sophisticated electronics dia-ries, mobile compact limplay-ers. Technology is becoming

Second, the Japanese in consumer by constantly expanding about what listen and miri and when we do it. Much our sensory perception of the world, through sight and hear-ing, is mediated by Japanese electronic technology. The next great step down this road is generation of virtual realities, worlds which we by a mixture of human choice, with puter graphics and computer

FINANCIAL turmoll in Tokyo toll on Japanese and acquisitions, but experts in Tokyo initial the

long-term outlook bullish with corporations adjusting to the emerging global market-Haif ■ decade ago, only Japanese humatika was M&A busifewer my any incentive w join in w long Japanese industry prospered from burgeoning exports an undervalued yen.

The Plaza Accord of 1985 challenged that strategy by sparking a sharp appreciation of the yea. Executives across Japan saw the competitiveness of factories and workers eroded. And, as Japan's trade surplus soured, political pressure also mounted for firms to manufacture in their foreign

markets.

The sudden changes prompted many Japanese corporations to look abroad. In 1989, the value of panese acquisitions in the U and reached \$16.1bn contains slightly to all the

Long-Term Credit Bank of Japan. "Japan 🚾 become the Rivadh in the where one selling anything came through Tokyo," says the head of a foreign M&A department in Tokyo of the fast and loose environment. "For many M&A advisers the client was the deal. They were dealing as bro-kers. But in Japan if I hire you

markets have all combined to dampen Japan's cross-border M&A appetite for the time being. Nevertheless, the mar-ket will be "booming" later in the decade, insists Mr Hideo Karino, general manager of

"The change in economic structure has had a very big impact on the strategy of Japa-nese corporations. That is, the which bring profit to corporate accounts have been changing drasti-cally," he says. "We say this (corporate restructuring) is a survival game not only in the

it would never cross my mind that you don't have my best interest in mind."

Bad deals, bad press and bad corporate development services at Nikko Securities Co.

Japanese market but also in the worldwide market."

Taste for acquisition wanes Mr Karino also says the publicity accorded M&A has not

been all bad. Many Japanese companies are becoming famil-iar with it as a viable growth strategy. Europe is certain to gain prominence as a target, although the US is expected to retain the top spot - in 1990 James investors pumped more than three times as much into US acquisitions as into Ironically, the very elements

of corporate culture Japan shares with Europe are pres enting the greatest obstacles on the Continent: reluctance to sell to outsiders, sometimes lax financial disclosure and, in some countries, tight links between banks and corpora-"In Continental Europe you have to have an inside track to

do a deal," says Kiyotaka Fujii, vice-president for mergers and

acquisitions CS First Boston (Japan) Ltd. In contrast, Japan's into Continental joint small buy-outs minority stakes than the US, and require a painstaking cultivation by Japanese

> The financial services, chemical, computer, health and personal care and pharmaceutical sectors are pushing into the EC, but they, too, are sensitive to the politics of investment

Cross-border appetite dampened by bad deals and a bad press

"It's not a question of due diligence and Do I know the books?", says Mr Fujii of the Japanese approach to M&A.
"It's 'Do I know the mangers?" I know the company? That's what missing share

holding allows." From the perspec-tive, Japan's M&A offensive

may spread broad industrial front, but the activity is likely to be uneven. The common objective will be to establish local production. distribution or access to new technology, and with as little political controversy as possi-

Investment by Japanese car makers is already controversial on the Continent, and a hostile acquisition is unthinkable for political reasons. The financial services, chemical, computer.

pharmaceutical sectors are

but they, too, an sensitive in

the politics of investment.

Meanwhile, the list of players lining up to do the deals is growing even the make leading foreign and banks and a william

houses, accounting firms, en-sultants, M&A boutiques and

The newly-established locals are seeking to hone their skills and capitalise on client connections, but foreign M&A leaders still have the edge in experience and knowledge of target markets.

Most Japanese financial will be tough but see WIA as way we reel in wher hicra-

"It helps our underwriting business," says Nikko's M Karino. For Japanese banks, M&A lead to profitable lending and other ser-

trading trading already formidable market information and give firms.

Mathibal Corp, the gate trading house, entered the and its Le partner, the Blacktone Group, Aris-Chemical buy-out, "My question Mitsubishi will profitable M&A for group. There is limit," Mr Karino says. Some firms have tried to combine the best of both Japanese foreign alliances, including Nikko and Blackstone Group and Nomura Wassella Perella Co. "I don't think the division of labour works," - CS Int Mr Fuffi.

Clients want all down with the same people who hashed out details face-to-face with a target firm's leaders, not couriers, he explains,

The recal troubles have also prompted leading foreign institutions, especially Ameri-can ones, to cut back Toss ers see the moves as a sign the market is maturing.

"This US shotgun approach of I did 100 deals last year so hire me' does not work here.

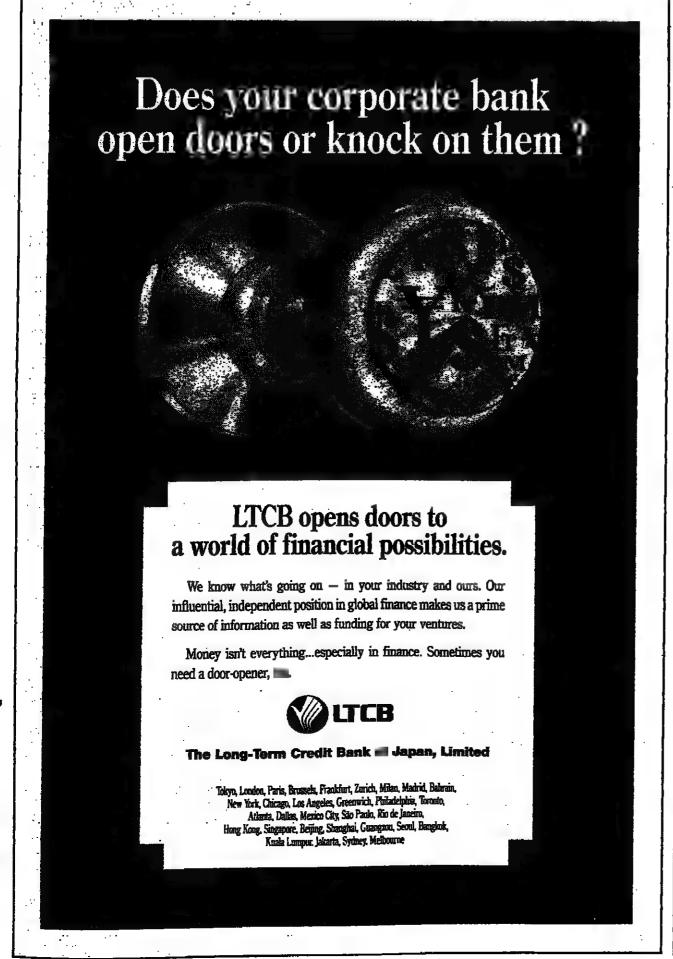
Problem-solving in the only
way to go," says Mr Fujii.
Mr Joseph Sabatini, manag-

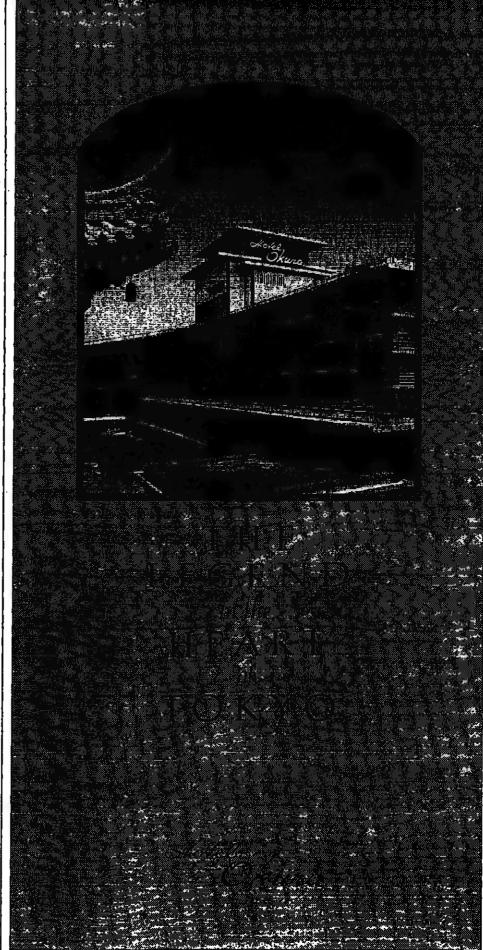
ing director and head of the financial advisory department at JP Morgan in Tokyo, that I buyers I also round with more sober perspective: time people don't realise the effort, energy and time needed to successfully integrate a foracquisition. You're now going to have a much more realistic approach, he

On hand, industry speak of growing in M&A in Japan foreign firms – Asian well — well — Mikko mid that it is advising

such companies, with emphasis in joint ventures, minority stakes and business development. For n and culture, nobody expects the Japanese market to the sort acquisiton opportunities Japanese companies anjoy abroad.

Neil Weinberg





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Emiko Terazono investigates the movie industry

Film makers fail screen test

AN unlikely alliance between An uninkely amance between Time Warner, the US media and entertainment and a Japanese provincial supermarket chain, Nichii, to develop Japan's first multiscreen cinema complexes, has posed a challenge to the few companies controlling the Japmovie industry.

The link-up has apprehension in the film industry. Time Warner says that the alliance will be good for the movie industry because it will give viewers more of a choice. Mr Robert Daly, chairman of Warner Bros, adds that the deal would simply "make going to the movies even more fun r Japanese people". Most Japanese cinemas are

The average movie badly made, poorly acted and is either an unfunny comedy or an overdone meiodrama

dirty and uncomfortable. Japanese films, also have a serious problem. While foreigners often have an image of Japa-pese films as artistic, the average movie shown in Tokyo is badly made, poorly acted and is either an unfunny comedy or an overdone melodrama.

Often, mediocre films are backed by large advertising campaigns, with stickers on taxis and messages on T-shirts. The poor quality "blockbust-ers" only serve to highlight the

sponsoring company.

The number of people who went to the cinemas last year fell 85 per cent from the peak in 1960 to 143m in line with the 75 per cent decrease in movie theatres. Japanese films shown in theatres last year plum-meted to 83 from 547 in 1960, while foreign films have risen from to 485 from 216.

The depressed state of the Japanese movie industry is blamed on various factors, but the distribution system seems to bear most of the blame. Three big distributors, Sho-chiku, Toel and Toho, maintain a firm grip on the industry, controlling 65 per cent of the total 1,840 cinemas in Japan. Film makers have to please the distributors, and while this can discourage and distract aspiring young film makers, without the backing of a distributor, they would not have a chance to show their work.

"It doesn't matter if a movie

is good or bad. The distributors want to show movies which use popular screenwriters. directors and actors," says Kazuo Miyabe, a film student. Furthermore, film making is highly risky. Of the total film revenue, the theatres will take 50 per cent. The distributor will then claim 20 per cent for promotion, and advertising companies will take up to half of what is left. As a result, the production company is left with less than 20 per cent of

the total revenue A risk-reducing measure that most distributors favour, is to pre-sell tickets to employees of the financing companies. helped revenues rise to Y171.9bn last year, making Japan the second largest film maker after US, in spite of the sharp fall in the number of

Pre-selling tickets is unpopuis among some film makers because it does not encourage good productions. "If Im tick-ets are pre-sold, the screen might just as well be blank,"

says one producer.
Distributors are also criticised for turning to real estate for revenues. Instead of worry ing about the quality of the movies, they have become property dealers, turning theatres into apartments and shopping complexes. Of the high three distributors, only Shochiku relies on movie produc-tion and distribution for half

its revenue.
Originally, the big studios of the distribution companies served as a place of apprentice-ship for technicians and direc-tors. But cutbacks on film pro-duction by the companies have discouraged new talent from

the Japanese film industry.
Zipang, a Y600m samurai
spoof, released last year, was a
box office flop which should not have been shown at all. But leading corporations such

years, forcing up prices in the key sector of impressionist and 20th century art and then exacerbating the
withdrawing suddenly to the
in III past
Although Japanese collectors, IIII sheltering behind

agreed to back the project using a director, with

Mr Yudai Yamashita, ih film's

co-producer, explains: The movie failed because it was badly made. The main problem

was the actual script

problem 🗀 🕍 industry, 🔐

movies are television personal-

itles. The viewer is given little

incentive to pay and see the same people playing the

The government, should something should to to the industry,

last granted The li

Cutbacks on film

production have

discouraged new

talent from the

Japanese industry

assist directors. But that is far

from enough, says Ms Etsuko Takano, the manager of Iwan-ami Hall, a leading arthouse chema in Tokyo. "Ideally, the government should try and

replace what the studios had originally been doing Japanese companies should also be will-

ing to spend on Japanese cul-ture instead of buying Amer-ica."

The distributors have mixed attitudes towards the future of the Japanese film. Shochiku

will try to replace national screening of a few big films with fewer cinemas showing minor films. Toei says that

they are moving out of films

targeting teenagers in favour of a more adult audience.

of a more adult addience.

Will the battered film industry ever recover? Mr I madita says that it may take a long time. "Film-making is a co-operative venture. Things just cannot improve overnight."

Ms Takano adds that in the

1950s. Japanese movies were admired abroad because of the originality and because they had some message to convey.

They were made to be shown

to an audience, but that's not

true any more.

There also an overkill

directing."

private and private muse-ums, had long shown in inter-est in certain western artists, notably hopressionista such Renoir and Monet

MAGAZINE titles are one of the more interesting indicators of change in Japan. The labour

shortage has been matched by

shortage has been matched by a spate of employment maga-zines, while the growing afflu-ence of young women has prompted several titles intended to help them dispose of that wealth, and an increase in self-questioning by middle-aged Japanese has inspired four new magazines in recent

four new magazines in recent

The identification of a new

trend is quickly followed by the multiplication of maga-

zines, some of which are

short-lived. But total magazine

sales have risen every year for the past five years, and last year letter 35.9bm, up from

31.5bn in 1986.
Most publishing houses have profited home Japan's file

growth , which have allowed them in cover the risks of new

with revenue irri

THE Japanese have been the

tional art market in recent

Rogue elephants of market artival as an important from can Maril II April IIII company paid £24.7m at Christhe in London let a wireless of Gogh's all main paint-



few Japanese dealers were the main buyers at all the impor-tant sales of Impressionist art. They also started to show an interest in contemporary art, with Kamayama, a dealer trading Mountain



in 1967, Yasuda insurance paid £24.7m for a version of Van Gogh's Sunflowers (left). A section from Van Gogh's portrait of his physician Dr Gachet sold for \$82.5m.

chief, said the average reader

have an interest in current

featured Mr Mikhail Gorbachev and Mrs Margaret Thatcher, respectively. Bart is a move up-market for Mr Shimaji, who

began his editing career on a weekly called Pu-re-f-

bo-i, a Japanese take-off of

Playboy mostly read by high-

Tortoise, paying "Interchange" by Willem de Kooning, record for a work by a living artist. This Japanese involvement reached a peak in May 1990 when within two days at New York Ryoel Saitu. paper magnate, paid for a portrait by Gogh II physician Dr and \$78.1m = lively

Japan has temporarily abandoned its obsession with western art

Renoir café scene. within months over-inflated market for Impressionist and modern art had collapsed. Already some of the Japanese dealers were finding it hard to sell on their pictures to domestic clients and the fall in values destroyed

To make matters worse scandals surfaced over the art buy-ing activities of the Roman Corporation and the Mitsubishi Corporation. There are investigations into reports that some Japanese companies attached inflated prices to the pictures they purchased in order to n excessive tax rebates or to raise loans. At Christie's big Impressionist sale in London in June there was not one Japanese bidder in the rooms.

But the leading western auction houses, Sotheby's and Christie's, are still taking a close interest in the Japanese market. They are finding it hard to get behind the protec-

ine collectors, but are experi-menting with selective auctions in Tokyo. Sotheby's held a successful sale of Japanese prints there this year, noticing that while western collectors went for rarity Japanese buy-ers were after bright colours and good condition.

The Japanese may have temporarily abandoned their with post-1870 ern art, and, with very few exceptions, have never shown any interest in Old Master pictures, or other western art sectors such as silver, furniture, or manuscripts, but they are starting to buy back their own

artistic heritage.
At first, Lands collectors concent on art; recently under-priced, and long overlooked, Japanese have been returning to their home land. At Christie's in June a pair of Kakiemon vases, made around 1700 for Hampton Court Palace in London, went back to Japan for £550,000, easily a record price for Japanese ceramics. At the oriental auctions and exhibitions in London this summer Chinese bronzes, and Japanese netsuke and lacquer were returning

ne West End

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ST DEC AND A

Pr - 01 101.

The section is the

Antony Thorncroft



Total magazine sales rise

New titles for more readers

the advertising demand for their tried and titles. ularly keen a man particularly women, The after live at home, have large disposable incomes, and a me in quality. The top four revenue arrests last year catered to this market, with the leading title, An An, selling advertising worth Y10.7bn, and the fourth-ranked Hanako, earning Y6.9bn, an increase of close to

70 per cent on a year earlier. Launching a magazine for age groups yet to be discovered by the large advertisers of consumer goods is more of a risk. But the four publishing houses backing the new magazines for the middle-aged are certain that the fundamental changes tive market.

which carries the subtitle The Lifestyle Marning in Peo-pla in Their Prime, was launched him he year and is designed in give monthly middle aged readers. It is published by the PHP Research, an education and research institute founded 45 years ago by Mr Konosuke tta, the late and with the meaning

While the magazine is designed to intro-spection among middle-aged, in particular, comprise 90 m and d in readership, it is run on a commercial basis. Mr Akira Higu-chi, a director of PHP, suggested that the arrival several competitors in illy market at the same time would help

Most publishing houses have profited from Japan's five years of strong economic growth

tion is all with the "In some ways, companie are not ready to advertise in this market. They are used to creating images and appeal to young," It liguchi The magazine targeted between the ages of 45 and 64 years, but, surprisingly, that

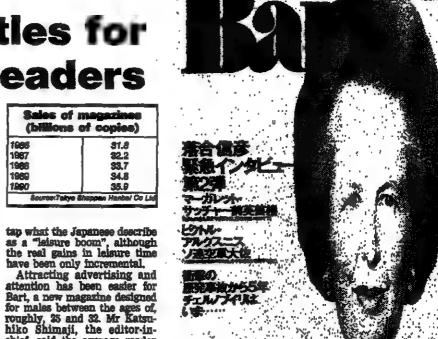
the age of 40 and 44.

"People an asking very basic questions and this generalistence. People of this generalistence. ation were born believing IIIII they had a life span of 60 years, but now II in more III. 80 years, so they have an extra 20 years. We are giving people information on how to use their time," Mr Higuchi said.
The magazine, reckoned to
be the most successful of the

four, provides sometimes ponderous, but nonetheless worthy articles on "doubling the plea-sure of life" and on the "I-can't be bothered attitude" said to afflict some of its tar-

Another new magazine for the same age group is Forty Love, whose title, taken from the tennis score, is said to reflect the turning point faced at 40. The other competitors are Wakasa and Free Time, which is a little more jaunty than The Real Age. Free Time was launched late

last year with descriptions by 18 individuals of their leisure activities. As the title suggests,



258,000, most of it in metropolitan Tokyo. The magazine's approach the importance of image in Japan, as it highlights self-perceived links to the British aristocracy and

These "aristocratic values" have helped the sales of many British goods in Japan, particu-larly high quality clothing, and are an easily recognised target for potential advertisers. Mr Shimaji said that his readers are interested in "nobility", are interested in "nobinty", although they also appear to have an interest in smut, as the latest edition has an "aris-tocratic" display of bare

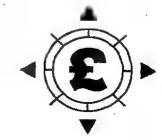
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FOR someone who enjoys the status of a national idol, Koshiro Matsumoto IX, the Japanese kabuki actor and Japanese have television celebrity, is decidedly unflamboyant.

MONDAY ICLY IS IN

ith western,

Antony Thomas

irse.

Control Marketing

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Dressed in his favoured outfit of a black turtleneck sweater wrapped in a dark suit, the handsome but sombre-looking Koshiro is more the image of a master of gob, or tea ceremony, than a globe-trotting theatre star.

... The appearance belies the stature of the man who is one of the few Japanese to have gone beyond the cosy domain of Japanese stardom and won recognition in the west.

In the spring this year, he became the first Japanese actor to star in a West End masical when he played the title role in James Hammer-stein's The King and I. His West End debut crowned

a seven-month tour of the UK with the same production. The experience has been a humbling one for the veteran actor who will be 50 next year.

There is one thing I would like to thank the English for from the bottom of my heart," he says. "In my years of acting I had forgotten what it is like for an actor to be unrecog-nised, nameless. England has shown me once again, how important that is for an actor." The admission, coming from

The West End experience has been a humbling one for the veteran actor, who will be 50 next year

omeone who is used to being thronged by fans, who has been to Broadway and has sevname, seems a typically Japa-nese show of modesty.

After all, few a command the kind of respect, bordering on awe, that Koahiro does in Japan.

The name Koshiro Matsumoto, for one thing, extends back to the 17th century. As the ninth generation in a long line of actors to inherit that illustrious name, Koshiro naturally carries with him a certain

weight of tradition.
His acting career started at the age of three as a medicine seller's son in Sukeroku, a tale

of love and revenge.

Before he inherited the name
of Koshiro Mataumoto IX in 1981, he was Somegoro Ichikawa VI. It was as Somegoro that he endeared himself to the Japanese public and won the heart of many a young woman who would hardly have Michiyo Nakamoto meets Koshiro Matsumoto IX

Starting again as an unknown actor



West End debut: Koshiro Metsumoto IX in the title role of The King and I

thought to set foot in the Rabuki-za theatre. But in England it is Koshiro who has been in www of the creativity and raw energy he

a dynamism that does not exist in Japanese theatre," he "If kahuki can be compared

to a delicate Japanese-style painting on cloth, western theatre is like an oil painting - straightforward and energetic." In many ways the two are as incompatible as water and oil.

One incident illustrates the point. Practising a manual kabuki dance along with a in a torn leg muscle.

"In practising the two different dances I had been putting too much pressure or My body could with the conflicting emands being made on it."

As the ninth generation of actors to inherit that name. Koshiro carries weight of tradition

nim imperie Procks is a drams of vibrant much mail expression in which come betics and spectacular crown the plot's high moments. Yet in spite of all the

emotion. In the kabuki tradition suggestion is just as crucial in portraying the hero's tragic con-flict between loyalty to his master and love for his family or friends – a favourite kabuki theme - as the actors' spoken

the hero's thoughts and feel-ings even if they are not ver-ballsed because the art of nonverbal communication - or haragei - still permeates much of everyday life in Japan. "But in western theatre

The audience will recognis

nothing of this ambiguity had is so typical of Japa-nese theatre," Koshiro says. "Wastern a western musi-cal makes me feel like a soccer bell that has just received a

good, hard kick. This is no time for ambiguity, the actors seem to be saying. In Englandharagei just gets blown

It is ironic that one of the few Japanese actors to venture into this rough and still alien world, and to win acclaim there no less, should come from a discipline steeped in tradition where the rules of life date back to the 16th century.

Koshiro traces his fascination with western theatre to his grandfather, Koshiro Matsumoto VII, who was also a noted kabuki actor. "My grandfather loved fur-

eign lands, although he had never been abroad. He even learned a bit of ballet and

"One day my grandfather told his Japanese dance students to come to the rehearsal room dressed in western dance outfits, probably leggings or something like He had brought chairs on to the tatumi mats in the dressing rooms and I believe even had lights fitted on to the mirrors to make the place look more like an authentic western dressing room. The students arrived rather puzzled in their musual garb, and there was Anna Pavlova!" For a master of a tradition to which western theatre was known literally as "theal red-

'If kabuki can be compared to a delicate painting on cloth, western theatre is like an oil painting'

eaded", thin was my curum The sum instrument of approach characterises Koshiro's own mlationship

with western that in When I performed in an experimental Broadway production of the Man of La Mancha, I had to tell myself that I was just one actor playing the title role. But at the time I thought if I failed there I would never be able to perform in kabuki again."

His latest encounter with the west has been just as much of a trial and a revelation. For the large part, it has been a strug-gle with an alien culture and

language. "Every day has been an encounter with words, "My experience in England has been very refreshing," he concludes.

Because of it I will be able to start again as an unknown, the way actors

Sumo gets to grips with rising stars

waliwan Akebono (left) faces up to the 18-year-old pin-up, Takahanada

have grappled with two impor-tant changes in the past few months: the retirement of the country's most famous with tler, Chiyonofuji, and the possi-bility that a Hawaiian, Konishiki, will become the first on 18 "kachi-koshi". foreigner promoted to "yoko-

znna", the most senior sumo The departure of Chiyono-lik known Japanese as Wolf', pushed new generation of younger Takahanada's wrestlers into the dohyo, or

ring, and two (pictured) have already been marked for great-Akebono, to the left in the photograph, is also Hawaiian, and the 18-year-old how boy

rank.

The hope is that the rise of these two potential champions will attract popular interest that could have strayed with the departure of Chiyonoluji.

Takahanada has been remarkably successful this year, in and out of the dohyo. His baby-face looks have made him the darling of the sumo set, and sales of Takahanada tea cups and sundry other souvenirs have soared.

Like most of the wrestlers, makes public com-ments, though has con-

Akebono has risen quickly through a ranks, though he failed to win a majorit of the life contest,

The fact that a foreigner now holds the record has caused some unease among sumo offi-

Two important changes in the wrestling scene

baby-face looks have made him the darling of the sumo set, and sales 🔰 Takahanada souvenirs have

soared. He makes few public comments, though he confesses to a love of ice-cream

cials, who are either admirably traditional or stultifyingly conservative, depending on your sumo perspective.

Two years ago, Japan's chief cabinet secretary was, unusually, a woman, Mrs Mayumi Moriyama, who was refused permission to enter the dohyo to present a trophy to a tournanent winner.
The issue arose again this

month when a Japanese

to Tokyo for a national contest

Another large challenge presented by the bulky shape of Konishiki, who has less on the fringe of promotion in yokozuna for the past two

His Japanese fans say that he should have already been promoted, but there is a faction on the promotion commit-that refuses promote a foreigner to the top rank.

More of a problem has Konishiki's inconsistency. He tournament two years but has failed we repeat the success.

He generally wins a majority of his bouts, and was the peck in the May tournament, but faltered on the final day. He has now - runner-up on seven occasions.
The departure of Chiyono-

fuji, who won more bouts (1,045) than any other wrestler in the history of the sport, was handled with appropriate style. He had lost unexpectedly to Takahanada, and retired two days later, saying that he could now the ring confident that "the new generation has

Robert Thomson



THE STORY OFTHE TRANS-MISSION WITHTHE ENGINE.

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sation between an automatic transmission and an engine computer. "Shift speed reached", the engine computer informs the transmission computer.

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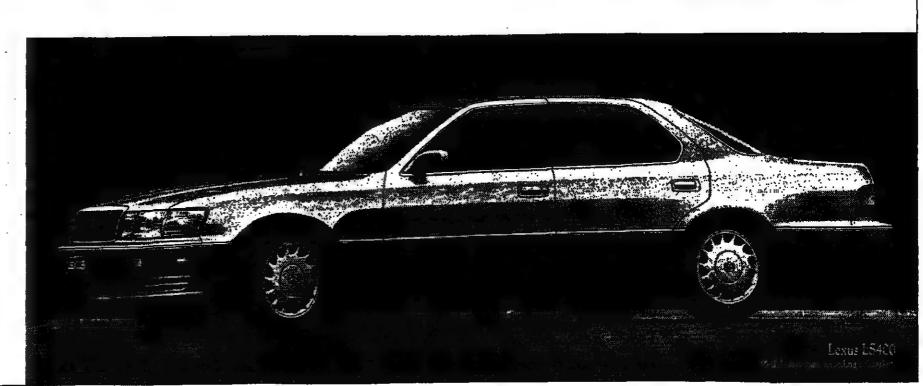
The new V8 engine, however, is only one example of the Lexus engineering

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Beginning on this page, **FT** writers examine the evolution of Japan's relations with the outside world, in terms of countries and of issues

JAPAN'S relations with United States display all the characteristics of sibling rivalry. Their companies compete ferociously but their economies are inseparable and interdependent. Their ernments have seemingly constant cover trade, and yet they also talk developing global partnership born in the after-math of the Second World War. There are two very different

the state the relationship and its prespects.
According to the "optimists" - mainly civil both sides - the relationship is tough but in good shape. Trade frictions are dealt with they up. The wideranging SII talks on structural educational. The US trade deficit is falling and losing

political potency.

Politically relationship has rarely been better. The US-Japan dal treaty has evolved into mechanism for wider security co-operation. Japan's bilateral relationship with the US will remain cen-

world role. pessimists - usually elected politicians or busine executives - see the potential for mounting conflict as the US struggles to come to terms with economic decline Japan starts to translate its global economic power into political influence. In the wad-of the end of the Cold War the relationship has tipped from co-operation to competition. The two countries could become increasing adversarial if they lose any common interest in protecting an open world trading system.

The reality of the relation-ship is clouded in a mist of misrepresentations and misunderstandings. This is a que tion and answer guide to what might be in store. Is the economic relationship

adversarial? The two economies increasingly entwined. The US is an indispensable market for the exports which have fuelled Japanese growth. Japan is the US's largest export UNITED STATES

Sibling squabbles

market. Japanese savings have financed the III federal budget deficit al Japan runs ■ persistent and very large with sur-plus with the US. Does that mean Japan is the

more powerful economy? The US is still the world's largest The June finance of the Milion deficit makes Japanese lenders vul-nerable to depreciation of the the scale of the trade deficit
III US manufacturing jobs.
They also worry that US culture is being undermined by companies' acquisi-US companies which are household names, such as Matsushita's purchase of MCA. But the real concern is that the US is increasingly technologi-cally dependent upon the Japanese, especially in electronics.

What are the reasons for the trade deficit and what might

correct it? The two sides agree that it is primarily mico-economic problem. However, they differ markedly on the nature of the

Japanese III US industry is uncompetitive but the US is not prepared to domestic policy. So it attempts to compensate by attempting to manage trade, restricting the Japane

The most common US view is that Japan distorts trade by selling products abroad uncompetitive prices to win market share. The Japanese market is closed by business practices which it very difficult for foreigners to enter.
In contrast, Mr Hajime Ohta,
director international the Keidanren, the Federation of Economic Organ-isations, says tha "these cles are not trivial, but they are insignificant"."

If Why does accommo-nace up pressure is the low competitiveness of US indus-

Mr Kolchi Hori, director of the Boston Consulting Group in Tokyo, says: "The Japanese do not really believe there is a case for them to open the mar-kets or change. We do it, but no one really believes in it." Fear of protectionism is an important factor in III Japanese willingness to accommodate. But Japanese officials say



By buying MCA, Matsushita also bought the rights to El

Metion should not war in wider relationship with the US. Will the Japanese continue to be so accommodating?

Some are urging it to become more assertive and say "no" to US den Mr Kiyoaki Kikuchi, counsellor m Ille board of Matsushita, the electronics company, and a former ambassador ... Canada, There is pent-up frustration with the continual need to accommodate to the US. We should only have to change if we were unsuccessful. But that frustration will not come out, we will not say no."

Japan perhaps be unin-beneficiary of a free trade systhe fabric of that system. Any attempt by Japan 🔰 play a military role would cause alarm at home and else-where in Asia. So it needs US to play a strong enough international role to stability is a can can world role Japan will accommodate most of its

expedient to use the threat of external pressure to push through economic changes which would otherwise face considerable political opposi-

The key issue is whether the US political keep III demands to levels which the Japanese political system finds

manageable. The politics of US public opinion on Japan is potentially the most destabilising element in the relationship become entangled with security issues?

The US military is increasdependent upon Japanese technology. The US definition of national security is becoming so hand It encompass well as defence. The contribu-tion Japan makes to internathrus security will be and be one of the most sensitive issues in the next few years.

What values and principles the Japan stand for as a independent super

tratiles recycle including the Japanese. For decades after in Second World War, the goal of Japanese society was to catch up with the west. What should be Japan's strategic purpose now it has caught w and, in some areas, passed the west?

This is a question with

Mr Kikuchi says: "Everyone urges us to play a wider world role without having the slightest idea what it would be and without thinking about the

A senior - title diplomat notes "I am not sure we want the Japanese to have a clear ideological sense of their world purpose; no one wants a pax Nipponica."

Charles Leadbeater

UNITED KINGDOM

Window on a wider world

host the largest display of Japanese culture outside the country in a festidesigned in the links between the tries extend beyond televisions, video recorders and cars. The although eller of British households run on Japanese made products, Japanese culture is largely unknown to the

strengthen a relationship which senior British officials describe as "stronger than at any point in the post war era". The Japanese have a fond-ness for Britain, as a land of and polite manners, which is largely lacking in their atti-tude towards the United States

The intensity of Japan's tionship with the US is partly bred from the memory of post-war occupation. Japan had no choice but to accept US culture and priorities: in contrast II has been able to choose what it

has drawn from the UK.

Most recently the which divided the two countries at the outset of the 1980s - of British telecommualmation companies to the Japanese market, manaip of the Tokyo Stock Exchange British stockbrokers and taxes on imported Scotch -

have been cleared up.

A senior ministry of foreign affairs official says: "Our relationship is very strong."

WHEN Mr Jacques Delors, in president of the European

Community, recently will

Tokyo is surprised his Japa-nese hosts by not putting trade at the top of his agenda. Instead, in deference to the wishes of Japanese officials, he

about international

But the carefully-prepared

smokescreen boled no-one, least of all Mr Delors or his

lapanese counterparts. Even

more than US-Japanese rela-

tions, ties between Japan and

Europe are dominated by

Japan would like to extend

the range of contacts to include joint moves in interna-

Heret politics, in developing country aid and environmental

questions. It is keen in sign

with the EC s political declara-

which would commit with

to strengthening political links, similar to a pact agreed last year between the EC and

But EC states are hold-

on the agreeing the wording of the proposed declara-

the EC ambassador to Japan, said recently: "Unless we are on the right in the (towards

solving economic disputes), I see no possibility of real, deep

political co-operation."
The difficulting of building

good relations are compounded by the fact that the EC is not

one country but 12. The serious differences member

states on policy towards Japan have been highlighted by Mrs Edith Cresson's recent appoint-

ment as prime minister of

France. Her attacks on Japa-nese trade policy have

The main symbol of that in Japanese investnent in the UK. The UK for Man III per cent of Japanese investment in

Europe. The trading with UK exports to Japan increasing by more than 50 per cent in the past lime Jane London's financial centre plays a central role in the extension of the se financial system into international markets and as a channel for Japanese lending more than econom

The reasons for the close economic relationship in the 1980s are not hard to find. In the wake of the 1980-81 recesded modernisation. Foreign investment has helped to modernise the electronics and autoere themselve.

The Thatcher government's promotion of free trade policies and its close relationship with Reagan administration meant Japan was assured a could not be sure of elsewhere in Europe.

III the same time Japanese

companies were seeking over-seas in the squares will the appreciation of the year had put on Japanese exports and to gain a the developing single European market.
The question is whether the

closeness of Britain's relationship with Japan in the 1980s was just ill transitory factors or whether it is the foundation for something more

The political framework relatively stable. Japaofficials policy reform within the Labour Party British policy towards Japanese investment and treat is bipartisan and strong enough to survive Mrs. Thatcher. Most importantly, officials on both sides stress the relationship amounts 🐚

Mr Tetsuo Ito, director of the second west European division ministry of foreign affairs, says: "Our relationship III. UK is important the UK is genu-

inely global view."

British officials say that the UK's membership of Nato, its case relationship with US and its position as a permanent member of the UN security council are all elements it brings to 🔝 relationship. For instance. Japanese diplomats say that during the Gulf war the British provided them with more information about devalopments at the UN than the

However, it main main in the law between evolving relationship with Japan will be the development of the European Community.

Japan regards the UK as its main interlocutor in Europe. A ministry of foreign affairs offi-cial says: "The UK takes a more open approach than

tend to take a very continental

European view of issues." The main symbol of this closeness is the British mination III fight on behalf of Japanese companies with plants W UK, W have their

products classified as Euroconcern in Tokyo that Britain might be left in the slow lane of two-speed Europe. There suggestions that the focus of Japanese policy should shift towards Bonn and Brussels. Those risks have largely abated, according British

officials in Tokyo. They point to two other international where Britain and Japan are likely to find common ground.

The first is the future of the David Union. Both countries have taken markedly more sceptical approach to aid to the Soviet Union than France, Germany or even the US. Officials on both sides believe it is likely this common approach will be maintained.

The second is the future of China. The main area where Japan is likely to develop a foreign policy largely independent of the US is in Asia and in particular over approaches to China. It has already co-oper-ated with the UK in negotiations with China over Hong Kong. This co-operation is

Charles Leadbeater

European Community

Relations may remain tense

prompted a rare official diplomatic protest from Tokyo to

The conflicts between Japan and Europe in and by geographical and cultural distance and by ignorance. Japathey have always shown more interest in Europe than Europeans have in Japan.

Mrs Cramma appointment may limit changed that, II east for the moment. "Now, at last. Europeans are taking notice," says one official at the Japanese mining of foreign affairs. Il Il she li prejude nile les promowill do little to close the between Europe and Japan. There is more hope in the solid advance of exchanges between the two regions in, for example, the introd in the number of Europeans learning Japanese. The total rose from 12,600 in 1984 to 17,600 in 1988, according to a Japanese gov-ernment survey which

schoolchildren.
The man of the tensions but Japan Ind Europe is the size of the Japanese trade surplus and the fact - cars and electron-

After shrinking steadily in

recent years, from \$22.8bn in 1988 to \$18.4bn in 1990, the bilateral surplus has expanded this year – in April and May it Japan's surplus with the US for the first time in

eight years. decline in the growth ut imports that Japan of luxury goods, including art, fashion and perfumes. Another is continuing strong in in Burope, particularly in Ger-many, for Japanese cars and sectionics. 's exports to BC Large State and \$53.5bn, including in vehicles and \$3.1bn in

So far, the EC has refrained from protesting specifically about the recent increase in the surplus, recognising that it is influenced by macro-economthe April exports to Germany are strong because ant. Nevertheless, as Mrs Cres-son's show, many convinced there are deep-sected reasons for Japan's trade surplus which can only be changed by

concerted action by European governments and the EC. The EC has applied pressure

in various ways, notably by pressing Japan for marketdumping and by and panies thought selling goods at unfairly low prices in Europe. Japanese groups have mostly sought to abide by the export rules and also by industry-wide "voluntary" ments restraining exports, for example of cars to the UK.

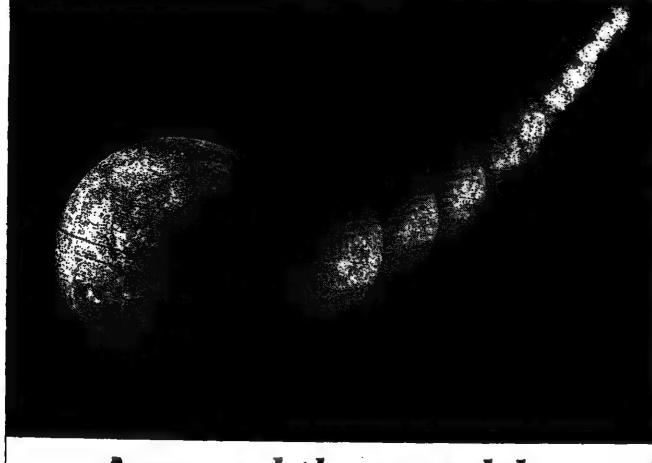
However, Japanese busine men are concerned that the planned economic integration of the EC in 1992 will be combined with the erection of external trade barriers. EC officials deny that there is any protectionist intent, but Japanese executives are not con-

Japanese companies' main response to the danger of prohas been to in the year to March, Japanese companies cut direct l overseas by 30 per cent in response to high infirmal ribs. But investment in Europe fell These investments are influaccess to European know-how kets. But it over-riding motive is to avoid barriers. It is not just a crude matter of substituting exports with production. The ultimate aim is to create a well-rooted local presence so that European sub-sidiaries will be seen as European rather than Japane

Even with III will of politicians and officials on both sides - will cannot be taken for granted - william are likely to stay tense for a long time to come.

Stefan Wagstyl

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Around the world

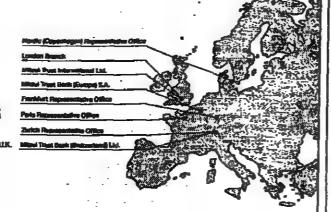
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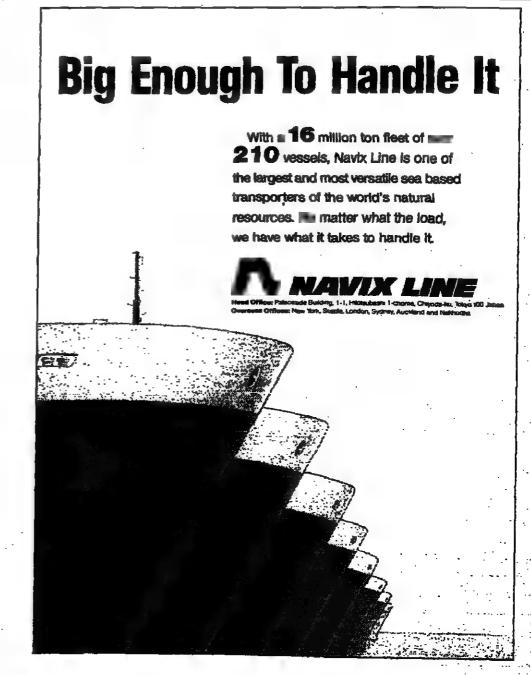
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Charles Leader

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IONDAY ICLY IS IN

arrived in Tokyo this spring on the first visit to Japan by a Soviet leader, some Japanese believed 1991 would be the year of a breakthrough in bilateral relations. The Yomiuri newspa-per said so in a front page article published on the symbolic day of January I.

In the event, hopes of a great improvement in ties foundered on the same issue which has dogged relations since the Second World War - Japan's claim to four small islands off northern Japan seized by Soviet soldiers in 1945. Even six summit meetings - two more than scheduled between Mr Gorbachev and Mr Toshiki Kaifu, the Japanese minister, failed to resolve the dispute.

But, in spite of this disap-pointment, are world forcing Tokyo to soften its tough policy towards Miller It has slightly relaxed its long-standing restrictions on aid by extending help to victims of the Chernobyl disaster and last year to those suffering from shortages medi-cine. The second package worth Y16.6bn (\$119m) includes soft loans — which Tokyo maintains ban on financial aid to Loviet Union.

This modest easing of ten-sions is the result of Japan's fear of becoming isolated from the US and western Europe in its policy to the Soviet Union. Tokyo insists that a settlement of the territorial dispute is still o colling for large-scale Japanese aid for the Soviet Union. It is also concerned about the continuing large presence of Soviet troops in the Far East, arguing that disarma-

This easing of tensions is the result of a fear of becoming isolated from the US and western Europe

ment in Europe has yet to spread to Asia.

Nevertheless, Japan would find it difficult to maintain mariant ban II IN United and European countries supported a big aid pro-gramme.

formula multi be limil for

Japan 🖿 contribute - 🖿

example, through multilateral od agencies.
Fortunately for Tokyo, governments are still long way from agreement such and programme. The Yavlinsky aid plan, put foreconomists, has mer unu sup-



President Gorbachev and Prime Minister Kaifu link fingers in a good luck gesture after signing a joint declaration

port in Germany But the UK and, I importantly, III US, are very sceptiabout the merits of large-scale of until Mr Gorbachev flows that he le willing to implement radical summir reform. So Japan is in the com-

For Agreement officials II lie not just a question of Ind

northern territories. They hard-headed approach development aid, insisting that loans should only be if there is a realistic prospect of being repaid. The point is not to withhold funds in some Scrooge-like way, but to ensure money is not wasted. This line reasoning Lana Japanibisk almost 4717 K parts of medien Europe

Including Poland, Bulgaria and

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Romania - well well

Soviet Union.

A foreign ministry officials in the Soviet Union's the plans for reform are and Mr Gorbcommitment unclear. Also

Moreover, and western Europe see aid to the Soviet Union primarily as a

question of investing in Euro-Russia and the western republics, Japanese officials and businessmen look most favourably in leasurement in in natural manners of

and the Far East. Companies putting together ambitious plans including a proposal by Mitsul, the trading the ture tional, w US grow the w \$1bnral gas field off the coast of Sakhalin. The partners would build a pipeline to Vladivostok, the biggest city in the Soviet

Equally vast is a scheme dating back to the 1970s by Sakhalin Oil and Gas, a consor tium of Japanese companies supported by the Japanese ernment, develop field near Sakhalin

Businessmen return from Moscow overwhelmed by the **Soviet Union's**

economic difficulties and pump the gas to Hokkaido, in northern Japan. But the prospects for these and other mega-projects are poor. Large schemes can only

ahead with financial supgo ahead with financial sup-port and guarantees from the Japanese government. Mitsui says it yet a a bility study. "It's just an stage," Even small-scale proposals

rarely Tokyo Marul-chi Shoji, medium-sized trading company, recently announced a joint \$1m joint processing plant in Vision But an official Japan

Trade Organisation (JETRO). estimates there and only about 10 Japanese ventures in whole of the Soviet Union. Even in Sakhalin island, which in just north of Japan in the Soviet Far East and is frequently as a possible location for potential substantial Japanese investments, very joint ventures have actually been put into tion. They include enterprises in fishing, and farming and Japanese _____

Japan's imports - mainly lumber and other raw materials – from the Soviet Union have been steady for the past two years and totalled \$3.4bn in the year to March 1991. But exports have slumped from \$3.1bn in 1989 to \$2.5bn in the year to March, due to the decline in the Soviet Union's ability to pay for goods amid increasing economic disloca-tion. Unpaid trade debts have been mounting.

Japanese businessmen from Moscow over-whelmed by the Soviet Union's economic difficulties. Many think that even if governmen aid were available there point investing in country where him to mile

Stefan Wagstvi

That special feeling returns

MOST days was year, a Japanese company has anno investment, joint venture or a new purchasing agreement with a Chinese corporation. The companies have been big and small, and the products have ranged from men's suits to supermarkets and, more recently, computer software.

The flow of funds into China has been accompanied by a flow of Communist Party offi-cials to Japan, which has become the most convenient platform for a Beiling govern-ment still attempting to con-vince ordinary Chinese it has

international respectability.

Tokyo has been flattered by the attention, as there is an enduring sense of shame, if not a full reclisation of the brutal facts, about Japan's war



against China from 1987 to 1945. And there is sense of frustration that lingering Chinese bitterness has compromised a "special relationship", relationship important for terrore and cultural reasons.

But Beijing has Tokyo
I "special" again. At l
year's surful summit, Mr
Toshiki Kaifu against
alienation China, and
had repeatedly encouraged Japanese counterparts in push in an easing al international sanctions imposed after the crushing it the pro-democracy move-

in June 1989. Japanese leaders regularly lectured visiting foreign offi-cials on their "special" under-standing of the situation in China, and a year ago, Mr Shin Kanemaru, a heavyweight in the ruling Liberal Democratic Party, did a hop from Taiwan to Beijing, and sought to present himself as a mediator in the reunification of China.

Mr Kanemaru was getting a little carried away. In spite of appearances, Beijing has not forgiven Japan for its wartime barharism, and elderly communist officials, who increased their influence after June 1989, are even less inclined to forthan their younger The war against Japanese aggression" was, as every child learns, a moment high heroism for the Communist Party and some **the** former revolution-

aries who still run the country. Japanese companies have correctly recognised that while the communist elders still influence policy in Beljing, they have control outside the capital, where economic reforms have altered the political landscape and changed the attitudes of local officials.

parochial provincial officials we competing for foreign money and are not much bothered whether it comes from Tokyo, New York or London. They have were the value economic the

decade, and are allow Beijing to Ministr central control public spending and taxation.

Ms Akiko Murakami, a director of the China section at the Japan External Trade Organinese This is a conomically stable during the inevitable power struggle after the death Tong Xiaoping. "Many Japanese companies feel that the economy is now separate from the political debate and that China must keep expanding. You can tell people are confident because we are getting calls every day from small- and medium-sized companies that are interested in investing for the first time. She expects this interest to show up over the next year in foreign investment, which rose by a number of projects but fell in total value last year. The new-found confidence has already shown up in bilateral trade figures. Japan's exports to China in the first five months of this year rose 38 per cent to \$2.98bn, while imports from China were 26 per cent

higher at \$5.47bn. Japanese steel makers say their sales of special steels to China will virtually double this year, and car exports more than doubled in the first quar-ter this year. The Japanese government expects that bilateral trade, which totalled \$4.99bn in the first quarter, will pass the \$20bn mark for

the first time this year. Bilateral trade last year totalled \$18.18bn, down 7 per cent on 1989, which was a record year in spite of sanc-tions imposed after the trou-bles in Beijing. Japan's exports to China last year fell 28 per cent to \$6.13bn, and imports from China rose 8.1 per cent to

due partly to the rise in oil prices, reflected in a 24.2 in mineral to imports, but Japanese investment were in a 51.1 per milincrease in imports of machinery, a significant percentage of which is believed in Lam come from joint many bearing

Last year's in in value, its first 1986, blamed more on Beijing's tight control foreign exchange than impact tions. That impact been this year, but Tokyo is still import policies, which have fluctuated wildly over the past demand in imports have been followed by sudden contracts unfulfilled and foreign suppli-

disgruntled.
The recent Tokyo visit of Qian Qichen, China's foreign minister, coincided with the the Har Chinese bond in Tokyo since June 🝱 A spate 🖪 new in already scheduled and the renewed access in the Tokyo must give China

important financial flexibility. Chinese corporations generally do un immediate swap of yen in dollars, as the appreciation of the Japanese currency in the late 1980s hurt Chinese borrowers, some of whom had to reschedule loans from Japanese institutions.

Qian saw a scheduled visit by Mr Kaifu next month to Beijing as ushering in a new era bilateral relations.

Robert Thomson



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10.7 per cent of Japan's total

imports last year, and its need to rebuild its infrastructure

after the Iran-Iraq war repre-

sents another commercial

opportunity for Japanese com-

The Japanese ministry of for-

eign affairs is keen to strengthen political ties with Iran. But Mr Alipour, an Ira-nian embassy official in Tokyo, expressed Iran's growing frus-tration that closer diplomatic ties between the true.

ties between the two countries

have not produced any tangi-ble result such as aid or trade

credits. "We have not used oil

as a bargaining chip; but we have reminded them of our

role as a major energy supplier

their search for a wider global but non-military role for Japa-

nese foreign policy, now talk of Japan as a possible mediator between Israel and the Arab

Following the first off shock

in 1973, Japan's stance moved

from neutral to firmly pro-

Arab, supporting the Arab eco-nomic boycott of Israel, and

pro-Palestinian. The PLO has

had a liaison office in Tokyo

Tokyo, To

approach is known to be 100

per cent pro-Arab," he said.
Japan has strengthened its

economic ties with Israel in

recent years and is now Israel's

second largest export market. Before the Guif war Japan had tacitly accepted that the boy-cott was a price worth paying

But since the end of the Gulf

conflict, Toyota, Mazda, and Nissan have announced that

they will start exporting to Israel. "The Toyota decision is very symbolic," said one offi-cial at the ministry of foreign

Yet Mr Kurosawa says that the change in attitude towards

israel can only occur with the blessing of the Arab world. "We are dependent for 70 per cent of our oil from the Gulf

Edward Bails

area; but none from Israel."

for oil security.

Ame Radian, first menting

Japanese foreign officials, in

MIDDLE EAST

Oil is the dominating factor

JAPAN'S lack domestic oil and its consequent need in import its bulk of its has dominated Japan's foreign policy towards the Middle East over the past two

There are that IIII policy has shifted the the Gulf war promoovertly pro-Arab, role Japanese commerce in III region; and a more balanced, mediatory, role for J diplomacy Israel and the

Arab Gulf crisis once again demonstrated how potentially destabilising Japan's dependent on Middle Eastern oil can be, and how militarily powerless Japan 🖿 🗤 secure its oil supply will military conflict II under way.

reduce its dependence on Middle East oil since since the 1973 oil crisis - but with only mod-erate success. In the last fiscal year, 71.3 per cent of Japan's crude oil imports came from Middle East countries, down from 76 per cent in 1979. The United Arab Emirates had the largest share with 21.4 per cent of the total followed by Saudi Arabia (19.5 per cent) and Indonesia (12.5 per cent). Nor is this dependence likely

to fall further. Mr Ikuo Hama-bayashi, of the Petroleum Association of Japan, believes that rising domestic oil con-sumption in Indonesia, Mexico and China will reduce the amount of oil these countries will be willing to export over the next decade. "The relationship with the Middle East will remain strong and may grow again over the next decade," he

The Gulf crisis, and the loss of oil supply from Iraq and Kuwait, did not have a destabllising effect on the Japanese economy as oil supplies were maintained and even increased. The moderate rise in

mcreased. The moderate rise in the dollar price of oil was largely offset by the appreciation of the yen against the dollar during the conflict.

Still, the strategic importance Japan of stability in Middle East explains why the manufactures of the Japan. the modification of the Japa-nese public and politicians to anything more than financial contribution if its war effort caused annovance in L US and embarrassment many Japanese government and business

tion was Article 9 of Im Japaconstitution which renounces the of to settle international disputes. In the past it has been interpreted as banning the overseas despatch of military personnel. defence policy

will be reflected in Saudi and and street in manufacturing ladustry here',"

Already Companies - Nippon oil, Nippon Mining and Arabian - are in "pre-feasibility" study for the first joint venture Japan and oil-prod-



Source: Ministry of International Trade and Industry

since four mine-Gulf clean-up. This the first time in Japan's post-war his-tory Japanese been sent overseas. At recently as 1967 the June 1967 ment and 1967 in 1967 minesweepers Gulf.

prompted Japanese government man it known des l did an want in Japanese corporations rushing to comper la caca la Dimilia

"If they need Japanese panies they will a us," Mr Takeuchi, Mit-Corporation general responsible

They not for long. Japanese companies installed much in the line in Kuwait. "It le logical for limited who constructed them to repair them," and ministry of foreign affairs official. Already Mitsubishi Heavy Industries has been offered a contract to repair power station it built in Dream

Mr Yoh " wa, president of I have Bank of Japan and arrules of the Japan co-operation centre in the Mid-dle East, does not in this ucing partner partner Aramco, in state-run landi project is build refineries, one in and Ande and other in Japan.
The project will reduce Japan's reliant on oil refining

in strengthen Japanese ties with Sand June 19 Mr Keilchi Konaga, president of the Arabian Oil Company, confirmed IIII a US

Caltex Petroleum, invited join project.
"If agreed in the company would be below to be a second to certainly serve the multilateral security of oil supplies," he

The Arabian Oil Company knows about the child of mile ing in the manie East. In small 📰 al-Khafji refinery, situated in the neutral near the linear border, hit by in Iraqi missi during the conflict and desired in request in the governproduction in in June, though it at at around third if real lev-

country with which Japan

THERE is a simple, widespread and appealing account of Japan's relations south-east Achi amounta which made means it. It man

something like this.

Japan is the leading Julie III III III V-shape formation of birds. Japan economic leader these economies - principally Korea, Taiwan, Hong Kong, Singspore, Malaysia, Thailand and the Philippines.

and the Printpines.

Increasingly they will follow its political lead as well. They will fall into a tight formation behind their leader not just in trade policies but in econor policy more generally, in time accepting Japan's political leadership of a trading bloc to match the European Community in scale.

A new regional power bloc is in the making with untold con-sequences for the balance of economic power in the world as a whole

The currency of the flying goese theory of Japan's ambitions in south-east Asia is not without foundation. It is based on an important truth — Japan is fast becoming the undis-puted economic leader of the

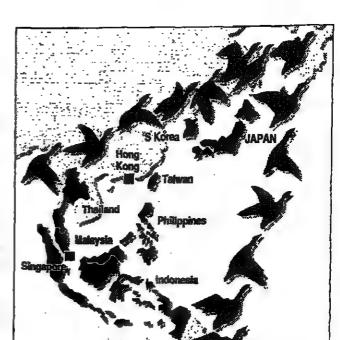
But beyond that the image of the flying geese is as mislead-ing as it is neat.

There is little doubt that the economies of south-east Asia are likely to become more integrated around Japan as the hub. Japanese investment in the region is growing faster than any other country and it should soon overtake the US as

the leading foreign investor. In manufacturing especially, Japanese investment is being driven by forces which show no sign of abating. Japanese investment in Europe and the US has mainly been intended to create plants to serve local markets. The attraction of south-east Asia was initially as a cheap labour, low cost, export base in the face of the appreciation of the yen.

However, in the past few years the dynamic of Japanese investment has been changed by two factors. First, the southast Asian market itself is becoming more attractive as industrialisation generates higher consumer incom

Toyota, the car manufac-turer, has ambitious plans to invest Y800n over the next few years to take its sales in the region from about 300,000 cars and light trucks this year to 500,000 by 1995, according to Mr Akira Yokol, director responsible for the area. After growth in demand of about 25 per cent in the past few years, Mr Yokoi expects demand to



SOUTH-EAST ASIA

Leader of the flying geese

grow by about 10 per cent in year making south-east an one is the review limits: growing our

Catering for 11st growth will require additional in a just in assembly lack but also in supplying laling the quality of locally-made components.

Second, Japanese companies are upgrading their plants to more sophilization products. Cheap assembly line attraction, according to Mr Hisao Tahara, Himair responuth lar Alla al Matsushita,

Mr Tahara, Income a desire oping division of labour and dapan and the southeast Asia economies where Matsushita has 41 manufacturing plants, 13 of them in Malay-

Having moved from making basic components in the 1960s into more developed products, countries such as Malaysia, which makes 1.2m Matsushita which makes 12m leatistants televisions a year against the 6m made in Japan, should start to take responsibility for the design of televisions as well as their manufacture, Mr Tahara

Japan would begin to condevelopment production il only il sophisticated, incorporating high-defi-

nition technology. Malaysia

graid their becomes a mentra for mass minimum it may

middle-ranking products, exporting and the world. would the Malaysia hade colour bleshing manufacturing technology for of waters Cambodia. Mi technology by the tree will no long Japan hamin will been been treatment in

increasing interdepen-of menufacturing in Japan and in neighbouring was economies could a un ind to pressure the further macro-economic integration in provide a male framework for business planning, for instance, currency alignments and interest rate policies. The growing integration of macro-economic policy could in turn the need for regional political institutions to govern the economic for

According officials at the ministry of foreign affairs it likely that Japan's relations with south-east Alla will become increasingly multilateral alongside the present bilateral relationships. Howone thing is about the nature of that multilateral of relationships: they will much more complex than V-shaped formation II flying

Several factors will work against the creation of ■ simple

■ The US retains ■ important role in the region, which Japa-nese officials must be maintained. countries in region π even more insistent. A senior official at the Singapore embassy in Tokyo are concerned that Europe and the US may so preoccupied with
their own problems they
an open Japan. We want
an open looking
with links outside strong
links within Asia." Japan will insist that any economic grouping will have in include the and be and upon inprinciples.

shared history, culture religion upon which common political policies could built. The differences in the of economic development in the region are far greater ting within the EC. Mr Lap Sun Lee, and representative if the Hong Kong trade office in Tokyo, says: "It is far for Asia in Asian it is for Europe is be European." This diversity means that any semant grouping relatively I to difficult

gra exel Si 218 212212 id draw the Lambart of the regional economy if the economies of Indo-China and continue open THE SEC garage average themselves and foreign influences. In time, China could a very large quite impossible im within formation lesses in the the of Thalland.

Unease about Japan's compared Toyota constant disagreements with local partners even as recently 10 However, there is concern about Japan's wider ambitions. Any to give Japan regional political in the settling disputes in security would quickly rekindle it its potential

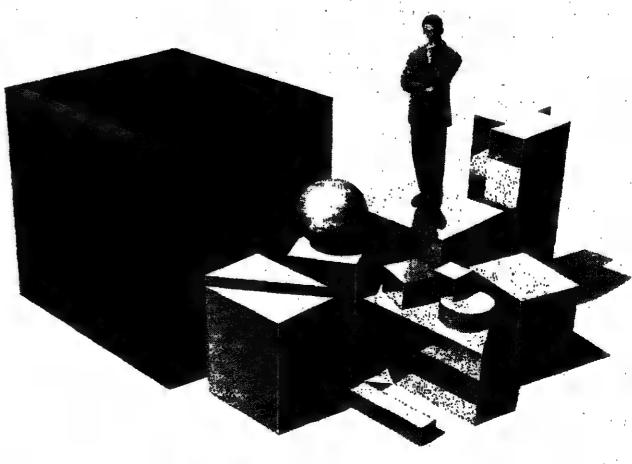
Charles Leadbeater

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Going against the grain

THE JAPANESE government has been forced into a corner over the highly politicised subject of rice imports, in recent months it has come under strong pressure from the US to lift its ban on rice imports. But domestically the government faces strong opposition to any relaxation of the ban, from the vocal and powerful farming lobby and from the majority of largeress consequence.

Widespread opposition to foreign imports comes in spite of the fact that Japanese consumers pay more than six times the world market price for rice as a direct result of the ban and the inefficiency of Japanese farmers.

The rice market provides an easy target for US politicians looking for tangible evidence that government-sanctioned protection still exists in Japan. The rice problem recently provoked a wider diplomatic row between Japan and the US when a group of US farmers were threatened with arrest for displaying US-grown rice at a Tokyo trade fair.

In fact, Japan is the largest net importer of agricultural products of any country. In recent years the level of protection has been reduced through

Charles Leading

The OECD estimates that the level of Japanese protection in agriculture is well above the average

removal quantitative restrictions on and citrus fruits. Nevertheless, the OECD estimates that the level of Japanese protection in agriculture is well above the countries.

widely with have accepted that the import han will be relaxed as part of an agricultural agreement in the Uruguay round of trade negotiations to which agricultural protection ramains a major stumbling block, But government officials and politicians describe rice as a "very difficult" domestic political issue and are unwilling to confirm publicly that the ben on foreign imports will be essed

eign imports will be eased.

The official government line remains that it is the dispute between the US and the EC over farm subsidies, not Japan's protected rice market, that has caused the present impasse in the GATT negotiations; and that a gesture to open the Japanese rice market would be counter-productive.

would be counter-productive.

"We have already decided that the rice matter could be solved along with other countries' difficult matters," said Mr Noboru Hatakeyama, vice-minister for international affairs at the ministry of international trade and industry. "But Japan has no export subsidies in the area of agriculture. If Japan concedes on rice, the export subsidies will still

Why is the rice question such a "difficult" issue for Japanese negotiators? The complex reasons behind this overtly protectionist policy much with Japanese history politics – and little do with economics.

standard justification
food security.
Supporters of the rice import
ban are quick to point out how
much Japan already relies on
imports for other staple foods.
Japan produces domestically
only around a half of its population's total calorie consumption. Only 30 per cent of grain

lation's total calorie consumption. Only 30 per cent of grain is grown domestically.

The fear of being left without food in a time of crisis is deeply felt. "Right after the Second World War. I still remember there was nothing for us to eat. Many people still share that feeling," said Mr Kosuke Hosi, an LDP member of the House of Representatives and agricultural policy specialist.

Japan's small-scale, often part-time, rice farmers would almost certainly be harmed by competition from cheaper foreign rice, in particular from Thailand, if the import restrictions were completely removed. The average farm size is 0.86 hectares, less than 1

per cent of the average US farm size,

Dr Fumio Egaitsu, a professor in Tokyo university's department of agricultural economics and a firm supporter of the import ban, argues that opening the rice market would reduce domestic production to at most 2m tonnes a year compared to 10m tonnes at present. There is scope for reducing the costs of rice production in Japan by between 30 and 50 per cent, he calculates. But Japanese rice would still be more expensive than imported rice because of higher Japanese labour costs.

Rice is not only important in Japan as a staple food source. Professor Egaitsu argues that the country's social stability will be threatened if cheaper rice imports disrupt rural farming communities. "In Japan social stability is based on the maintenance of rural communities. If he rice farming then many I them will have to be abandoned. This will cause social unrest."

There is a more basic political reason why all Japan's political parties support the ban Japan's farmers constitute a well organised and powerful political lobby; 50,000 farmers rallied in Tokyo a fortnight ago to oppose a lifting of the rice

More importantly, the rural vote has a disproportionate weight in the Japanese electoral system. Japan's political map has not been sufficiently redrawn in the past 40 years to reflect the movement of population from rural to urban areas. But there are signs that the political influence of the farming lobby may be declining. The proportion of Japanese households in farming has halved over the past two

While the farmers are the winners from protection, consumers are the clear losers. Yet they do not represent a counter-weight to the farming lobby. "It is not a big political issue for the Japanese people," according to Mr Teruka Isahikura, executive director of the Zenchu, the central union of the agricultural co-operatives. Rice takes only 1.5 per cent of the average Japanese household's weekly budget; and

recent opinion polls suggest that most Japanese support the import ban. According to ZenJapan's small-scale, often part-time, rice farmers would almost certainly be harmed

by competition

chu, recent poll evidence shows only 17 per cent of Jamese favour the liberalisation of the rice market (down from 20 per cent last year), though there is also a growing popular recognition that the ban on rice has become an important source of trade friction.

Politically there has been little to gain and much to lose by upsetting the farmers. The Liberal Democratic Party has been careful to maintain close links with farming lobby; and the opposition bearty, formerly lapan Socialist Party, is, if anything, more protectionist.

But Japanese industrialists

But Japanese industrialists

powerful lobby; and
they are increasingly frusmen negotiations
are being hampered by protection of inefficient farmers in
Japan and elsewhere.

The Keidanren, the employers' federation, is one of the few important groups publicly to support a liberalisation of the rice market. But it does not argue that the rice market should be immediately opened to imports. Mr Kozo Uchida, managing director of the Keidanren, argues that the domestic market should be deregulated first, "to provide an opportunity for Japanese rice producers to become internationally competitive".

tionally competitive".

The government is expected to agree to a short-term import target of around 3 per cent of total rice sales with vague promises further increases. Anything more would be politically risky the LDP.

Edward Balls

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JAPAN's overseas
development (ODA)

development (ODA)

been a source Japanese
pride in recent years. The government claims that through
its aid policy Japan is playing
a politically responsible, but
non-military, role in the world,
increasingly consistent with its
economic strength.

economic strength.
Yet aid policy has been regular target for criticism from the US and recipient countries, particularly in Asia.

The criticism focuses on what is described as the poor quality of Japanese aid – its preference for loan aid rather than grants and its bias towards spending on infrastructure rather than on education and health.

become the world's leading in taken a knock in recent weeks with the announcement that Japan fell into second place in 1990. In fact, Japan was ranked only 12th in the OECD development assistance committee's list of donor countries in terms of their ODA to GNP ratios in 1990.

Japan has also fallen behind on its five-year commitment to increase aid spending by \$50bn between 1998-1992. The ministry of finance said Japan was unlikely to meet the target which would require a further \$23bn of spending this year.

The aims of Japan's ODA

The aims of Japan's ODA policy to have been broadened recently, against a background of criticism Japan's inactivity during the Gulf April Mr Toshiki

OVERSEAS DEVELOPMENT ASSISTANCE

Pride dented by criticism

Kaifu, the Japanese prime minspelled number of
criteria which will be into account in allocating
ODA: the non-proliferation of
weapons of mass destruction;
democracy; market orientation;
and record on human rights.

Mr Selichi Nagatsuka, senior
deputy director of the ministry
of trade and industry's economic co-operation division,
explains that Jamanes off"

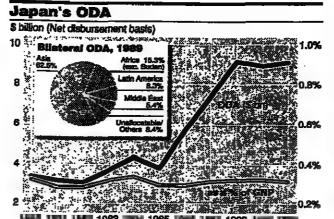
approach aid.

"The purpose Japanese support economic development, not press Japanese on developing countries.

Japan is to follow a little more the more conventional pattern aid. we are being a bit more egoistic."

human rights and environmental conditions to an ODA loan for the first time. A \$250m loan to build a dam in Koto Panjang in Sumatra, Indonesia, has been held up by Japan until Indonesian government agrees to compensate, and obtains the consent of, illustration of the consent of the consent of the consent of the placed. Japan in the consent of 30 Sumatran is phants with habitat will be destroyed.

This decision may reflect the



new policy; but the Japanese government also being more cautious after III recent uncomfortable experience with the Narmada dam project in southern India. Japan has been forced to suspend its share of the finance for this joint project with the World Bank following opposition to the dam from environmental groups in India and Japan.

Mr Kazuo Sumi, professor of international law at Yokohama and a critic of Japanese ODA, Japan has consistently used development aid to serve the economic interests of

Japan rather than of the developing countries; and that, in practice, much of Japan's aid contracts tie the recipients to spending the aid on purchases

from Japanese companies.
Originally, Japanese foreign aid took the form of reparations to the east Asian countries that suffered at the hands of the Japanese during the war. In 1989, 62.5 per cent of Japan's total bilateral ODA went to countries in Asia, down from per sent in 1980. But in 1989 Japan was the largest single donor to the least developed countries; and

the share of sub-Saharan Africa in total bilateral aid virtually doubled in the 1980s. A recent report on Japan's aid policy by the OECD development assistance committee (DAC)

(DAC) "I the recent growth in Japan's aid spending and its rising "quality".

Mr Nagatsuka points out that the process of tied loans has fallen from 100 per cent in 1979 to zero in 1990; and the share m Japanese compa-

the share of Japanese companies in total procurement had fallen to 27 per cent in 1990 from 55 per cent in 1997. "I think and the share of untied aid is highest in Japan," he said.

Still, Japan has the lowest share of grams of all the DAC member countries — 43 per cent compared to a DAC average.

share of grand of all the DAC member countries - 43 per cent compared to a DAC average of 76 per cent - though the percentage of ODA in grants has also risen in recent years. The severe shortage of Japanese staff available to work in developing countries is one important reason for the low percentage of aid spending on labour-intensive areas such education and health.

The organisation and implementation of Japanese ODA has come under severe strain as the aid budget increased. The DAC report expressed "concern about the capacity of the Japanese aid

system to manage a rapidly growing, large aid programme". Between 1979 and 1969 total ODA staff rose by 41 per cent to a mere 1,490. During this period the total ODA budget rose by 240 per cent and the total number of projects by 64 per cent.

The ministry of foreign affairs 1990 ODA report concludes that "any comparison with the other industrialized nations makes it apparent that Japan cannot claim to have adequate resources of mel". Yet ______ ministry _____ finance remains unwilling in recruitment levels.

This unwillingness a reflection the fractured organisation of Japan's ODA administration. The ministry of finance is responsible for monitoring the aid budget; but responsibility for disbursement and effectiveness of ODA is shared among the ministry of foreign affairs, the ministry of trade and industry and the Economic Planning Agency.

As important in explaining the staff shortage is the difficulty of finding Japanese who are willing to travel abroad to work in developing countries. Life in Japan comfortable; and Japanese companies are often unwilling to recognise periods spent working abroad. Spending two abroad means one has lost two years on the careers ladder, government official explained. "Work with a pot considered an

Edward Balls

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Emiko Terazono on education

Evening out differences

BEING different can be difficult in Japan. This is par-ticularly true within the rigid

educational system.

Japanese children who have their elementary or secondary education overseas are apt to discover this. The systems are so different that when I returned to Japan at the age of 10 in 1975 after five years in London, I was shocked to find out that what I had learned at Putney Park School, in southern London, was virtu-

At Putney Park, I learned to my times table, make Christmas cake, tap dance and play netball. But once thrown into a Japanese public school these skills proved to be of no use, and the inability to speak, read

complete outcast.

The number "returnees", or children of expa-the past the in life with the number of Japanese companies expanding their worldwide net-works. According to the ministry of education, in the year to March 1990, the number of stu-ling returning abroad rose to 11,450, up 74 per cent

This increase has led to change in within Japan. Education for returness up national project by the ministry of education in the 80s. The number of schools in Japan with spa of schools in Japan, with special programmes for returness, more than doubled to 256, and overseas full-time and Saturday class Japanese schools for children of expatriates have increased from 111 in 1987 to

still uncommon, and I was one of 4,500 children who returned that year. Most of my friends who came home around the same time also had similar experiences of being bullied or ostracised at school.

In a system where one is told over and over again to con-form, ordinary Japanese children seem to be intolerant of presence of someone who blew her nose with a handkerchief instead of tissue paper, or tried mouth instead of under the armpit, was that of an alien, and my classmates called me

gaijin, or foreigner.
Recently, the returnee,
kikokushtjo as they are commonly called, are accepted as
those who lived several years abroad, are fluent in English or other languages and hence

In the business world the returnee now has more opporwere reluctant to hire retur-nees they thought unable to work in groups. But in the past five years, compa-nies trying to "internationalise" started to recruit bilingual or trilingual retur-familiar with

At a Japanese public school skills learned in England proved to be of no use

During the recruitment season if the summer of 1987, I that nee made job interviews much easier. On my second interview with Mitsul Bank, the general manager of the personnel divi-sion waved his arms in the air and said: "A person like you is most welcome!" Finally, when I decided to join the Bank of Tokyo, I found that including myself, four of the five selected women for career-track jobs

a wider acceptance of returness, Japanese children over-seas are less eager to blend in with overseas communities. Mr Makoto Kiyoshima at Japan Overseas Educational Services, a foundation backed by the foreign ministry and the ministry of education, says that this reflects the attitudes of the parents who fall to participate in community activities, or communicate with neighbours.

"Previously, Japanese who were sent overseas, thought themselves pioneers; and tried hard to blend in with local customs and to contribute to communities. Now that is chang-



English lessons; a Japanese student at Putney Park School

She adds that even the eat-

ing habits of recent returnees

can anything Japanese abroad."

ing, and the children are making fewer friends in their local tend to be more Japanese. "The children laugh when I ask them why they prefer Japanese food to western food. One child said: "Sensei (teacher), if you're willing to pay the price, you can anything Japanese. communities," adds Mr Kiyosh-

expatriates think that their stay is only temporary, and try to recreate Japan in foreign lands. Japanese expatriates in New York will talk in Japanese New York will talk in Japanese in Japanese colleagues office and socialise with Japanese friends, read Japanese comics, and go to Japanese for examinations in Japanese in

tions in Japan.
"Some land a local schools are now complaining that Japanese children, tired from their late nights at cram schools, would sleep during class hours," says Mr Kiyosh-

schools, such as Gyousei Inter-national in London, and Seijou Gakuen in Colmar, France, have managed to take the com-plete Japanese educational sys-tem abroad. Japanese students escape the competitive system and enjoy the luxury of being abroad, while living and studying in a complete Japanese environment. A result of such programmes is that the the number of returness dropping declined drastically.

declined drastically.

Returning students are acutely aware of the tragic stories of the bullying of children who do not fit the Japanese norm, and so they attempt to be as Japanese as possible. Ms Yoko Tanaka, who has been teaching the private Selkei Elementary School's special class for returness for 25 years, says for returnees for 25 years, says that recent returnees have not absorbed as much of the differ-

Michiyo Nakamoto compares UK schools with those in Japan

JAPANESE parents who enrol their children in English schools quickly discover that differences between the educational system in Japan and the UK can be greater than they had feared.

My experience of sending two boys to a private school in London demonstrates that the differences in standards stem largely from differences in the curriculum and the contrasting attitude of parents and teachers towards education.
Unlike in the UK, at Japa-

nese schools there has always been a highly regulated curric-ulum drawn up by the minis-try of education.

Teaching is systematic with the emphasis firmly placed on learning by rote. By the time students finish primary school at 12, they we expected to mastered close to 1,000 kanji, the Japanese characters, in addition to two sets of phonetic alphabets, not to mention basic mathematics and other sub-

In contrast, the UK system appears haphazard and lacking in clear-cut goals. Performance

A lesson in independence

targets, where they do exist, are undemanding by Japanese ment, parents have not been standards.

The attitude transfer and demic work in British primary schools is relaxed, with each child progressing more or less

this own pace.
Lessons in Japanese schools progress at the required rate to satisfy the national curriculum. From an early age, children falling behind will ham extra work to do.

Communication between

also often minimal. At the Lon-don private school my children attend parents are given far less information on lessons and their child's progress than would be expected in Japan. To my knowledge there is no parent-teacher association. In

parents and the UK school is

ment parents have not been in the to attend a lesson, although there have been dis-plays of the children's work. The kindergarten my sons

attended in Japan expected parents, usually the mother, to be available to watch lessons least once every months. One-to-one meetings with teachers were also held once a term. In addition. fathers were frequently invited to attend less on Saturday. There were more PTA meet ings than I could keep up with

and the kindergarten even provided monthly seminar for parents various topics rang-ing from discipline to healthy

eating habits. Parent involvement at the primary school level is often

school is m private one. Yet in spite of the considerable problems their children are likely to face when they

return to Japan, a growing number of Japanese expatri-ates are sending their children to British schools. They do so in the hope, not

only that their children will learn to speak English, but the experience will broaden their perspective.

ref's rating

572 : \$559 15

aficustes.

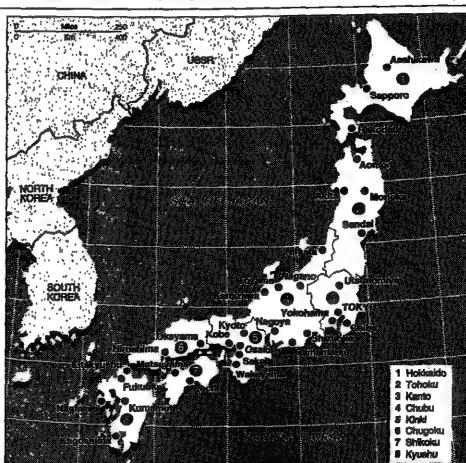
Many Japanese parents, including my husband and I, who have been through the rigours of the Japanese education system are happy to see their children educated in the Brit-ish school environment which fosters independence and cre-ativity – qualities that tend to be overlooked at schools back

They are counting on the happy prospect of a carefree childhood complemented by more rigorous academic life in Japan at a later stage.

The hope is on in spite of evidence which suggests that

ents are in for a nasty surprise.

KEY FAC	TS	
Area	37	7,815 sq kn
Population Average exchange rate	**************	123.12n
Average exchange rate	1990	= Y144.70
ECONOMY	1989	1990
Total GDP (Ybn)		-1
Real GDP growth	+4.7	+5.6
Components of GDP (%)		
Private consumption	57.3	56.7
Gross fixed Investment	30.7	32.3
Stockbuilding	0.8	+0.6
Government consumption	9.1	8.9
Exports	14.3	15.0
mports	~ 12.2	- 13.6
onsumer prices*init labour costs*	+2.3	+3.1
Init labour costs"	+0.0	+21
ndustrial wage rates	+5.8	+5.4
dustrial production	+6.2	+4.5
nemployment rates	2.3	2.1
eserves minus gold (\$bn)	83.957	78,501
arrow money growth (% pa)	+4.5	3.2
road money growth (% pa)	+10.0	+11.5
iscount rate (% pa, year end)	4.25	9.00
lovt bond yield (% pa, evg)	5.05	6.36
TA Share price index	÷ 18.6	-40.4
current account belance (\$bn)	57.64	36.17
Exports (Sbn)	270.39	280.13
mports (Sbn),	192.97	216.34
rade balance (\$bn)	77.42	63.79
Asin trading partners',	Exports	Imports
U\$	31.7	22.5
West Germany	6.2	6.2
137C9	2.1	2.1
UK	3.8	3.8
Hong Kong	4.6	0.9
Singapore	3.7	1.5
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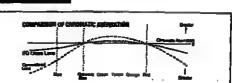
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S&P suspends US insurer's ratings

Standard & Poor's, the large US rating has suspended its ratings on Mutual Benefit Life insurance, the New Jersey-based life com-pany which ran into problems with property portfolio. Page 19

Mitsubishi stakes a claim Mitsubishi, Japan'∎



biggest trading corpo-ration, is buying an interest in the Iran Ore Company of Can-ada (IOC) for \$66m. acquire a 20 per cent per interest in MITSUBISHI Sales Agency

per cent IOC stake. Page 19 Japanese bonds on hold

Right M IOC, which handles are sales, from M.A. Hanna of Tal US, Harm retains an 8.14

Japanese bond markets, which have in in failed is mad to the all it seamed which crippled market, went on hold had ahead of four-day suspension from today of Big Four brokerages - Nomura, Daiwa, Nikko and Yamalchi. Emiko Terazono reports. Page 20 1 / /

Tuning into tabloid radio



Britain's first "tabloid radio" a p consortium when First National Radio, consortium making a station, begins raising \$25.6m) needed launch The revenue age it will in at "the tabloid of entertainment, of entertainment, page 19

Market Statistics

	Base leading rates
ı	Euromarket turnover,
	FT-A World indices.
i	FT/AIBO Int bond even
1	Foreign exchanges
	London recent issues

London shere eurylca

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Gartmore Inv Mingmt
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Magnetic Materials Mitsubishi Mutual Benefit Life 18 Mutual Benefit L
18 Philips
18 Ramar Textiles
18 Sarasin et Cie
18 Super Club
18 TT Group
19 Telecom NZ
18 Thurner Thurgar III

By Charles Leadbeater, Industrial Editor, in London

The state-owned group is making steel at a pilot plant at Isbergues, northern France, using a technology known in thin-strip casting. It could give Usinor an important technological among European steel producers to the by simplifying and integrating many steps in will traditional

steelmaking process.
Usinor estimates it is about two years behind Nippon Steel of in developing thin-strip

E steelmaker to develop

the cost of entry into steelmaking by eliminating many of the activities in steel produc-

Thin-strip casting would the interest of the i liquid to directly into a usable thin sheet, eliminating are expensive and time-con-

the product of Usinor's wide-

neered applica-the technique.

Mr Francis Mer, Usinor's presi-

dent, said that the downturn in European steel demand would force the group into more clo-sures rationalisation

c plants.

Mr said planned productivity gains over the next three years, which would reduce unit costs by at least 10 per cent

need to rationalise Usinor's plants, which long long products by railways and the construction indus-

try.
In the long run, savings could be made by rationalising Usinor's long products operations in

long products operations in France and those it acquired in Germany through the purchase of Saarstahl, he said.

Mr Mer said Usinor's string of acquisitions in Europe and the US in the past couple of years had come to an end for the time being. Talks with LTV, the US steelmaker, over the purchase of a minority stake were frozen, he said.

targets ICI drugs division

By Robert Peston in London

conglomerate, is pressing to acquire a £2bn (\$3.2bn) stake in Imperial Chemical Industries' pharmaceutical subsidiary as part of its strategy to increase the value of Britain's biggest

Advisers to Lord Hanson, chairman, he would like take a 40 per cent stake in the pharmaceutical operation. They argue that there would be two main benefits to ICI:

A price would be put on the pharmaceuticals division, which should lead to an increase in the stock market value of ICI.

stock market value of ICL
This would address ICI's longrunning problem that its market
capitalisation has not fully
reflected the combined value of

its constituent parts.

• Hanson would also guarantee sufficient financial backing to ICI Pharmaceuticals to turn it

into a world leader.

ICI's profits from this see have grown rapidly, to a peak of 2489m in 1990, but it lags behind the world's biggest drug compa-nies, such as Glaxo and Merck. However, Hanson would not form an exclusive relationship with ICI Pharmaceuticals.

with ICI Pharmaceuticals. Another company from the drug industry would probably be invited to join the venture.

When Lord Hanson met Sir Denys Henderson, ICI's chairman, in May, shortly after Hanson bought a 2.8 per cent stake in ICI, he made proposals to increase the value of ICI, according to his advisers. One was a joint venture between Hanson and ICI Pharmaceuticals.

and ICI Pharmaceuticals.

ICI has not responded, but said yesterday it received no firm proposals at the meeting.
Henson will argue that ICI is
falling its shareholders if it
refuses to debate the proposal.
ICI has admitted that it wants

o merge ICI Pharmaceuticals with another drug company and Hanson wants to know why its resources should not be made available to such a partnership. Lord Hanson has become con-cerned at the absence of debate efficiently. He has been forced on to the defensive, as ICI has raised questions about Hanson's

charge.
ICI is reorganising its operations, a cost of £300m, to cope with slower economic

nanagement style and low tax

Lord Hanson wants to hear further details of these plans promised in the half-year results atement expected on July 25, before taking any further steps.

Usinor strives for technological edge Hanson torgets

largest steelmaker, Usinor Sacilor of France, Inbegun trial production using technology which could transform the industry's economics.

Thin-strip casting arrive lower

In traditional steelmaking, liq-uid steel is cast into thick ingots or min through powerful mills. These mills, sometimes up half a will long, take the will can be used to make appliances or cars.

suming of ing and rolling. The technique in also by wasting in the limit of the lim The Isbergues development is

Thyssen, the largest German steelmaker.

A Thyssen pilot plant in Germany developing a related technique, thin-slab casting, which is a less radical break with traditional steelmaking. According to the French grown. Thys.

a year. He said the downturn was not a crisis, but would accelerate the

William Dawkins on Alcatel's purchase of Rockwell unit

US telecoms

Tipping the

scales of

leatel, Europe's largest supplier of telecommunications equipment, has been criticised by securities analysts for being under-represented in the US and underweight in the profitable market for electronic

ransmission equipment.
Now the French-owned company has substantially corrected both weaknesses. The group beat 11 other telecommunications equipment groups to land for \$625m the transmission equip-ment division of Rockwell International Corporation, the US electronics, aerospace and auto-motive conglomerate.

As a result, Alcatel becomes number two in the US transmission equipment industry, with a 15 per cent share of a market estimated by Alcatel to be worth

US demand for line transmission equipment is growing at an estimated 10 per cent annually, twice the world average. Rockwell, for which transmission systems form a tiny part of its sizhn annual sales, announced that the unit was up for sale in April and expects to comp-lete the deal by the end of Sept-

ember.

Alcatel is already number two in the US market for incations cables, where it recently strengthened its position with the acquisition of Canada Wire. But Alcatel officials say this is and does not necessarily guaran-tee access to transmission equip-ment orders.

Mr Jozef Cornu, Alcatel's exac utive vice president, says: "For us the cable business is certainly a good thing and gives us access to excellent contacts in the US. But it is very far removed from

the equipment market." Mrs Angela Dean, European technology analyst for Morgan Stanley in London, argues that the deal is the latest example of how several leading telecommunications groups are attempting to increase their exposure to the transmission market in response

transmission market in response
to the slowdown in growth in
telephone operators' demand for
public exchanges,

Alcatel officials say that public
operators are tending to turn to
transmission Influence as a
quicker and cheaper way of
modernising their service, as
they wait for the next generation
of public exchanges to come of

Alcatel already has a 1 per cent share in the US transmis-sion equipment market through North Carolina-based Alcatel Systems US, but this is out of line with its 29 per cent share of the European Community market for telecomm-ingle equipment gener-

its US in transmission equipment legacy of with of the telecommunications

operations of FTT, the US con-glomerate which holds a 30 per cent stake in the company and

The remaining 70 per cent of Dutch-registered Aleatel is held by Alcatel Alsthom, the French telecommunications, transport

he Rockwell deal, handled by the US investment bank Dillon Read, adds a business with \$439m of sales last year and 11 per cent of the mar-ket, to the \$136m turnover reported by Alcatel US

Reserves transmission 3,500 people in three plants in Texas and one in Mexico, made a pre-tax profit of \$44m last year. It devotes three quarters of its sales to cable transmission, the fastes to came transmission, the fastest-growing area of the mar-het, with the remainder to micro-wave transmission equipment, where growth is slower but where Alcatel calculates there is

less competition.
Yet even after this leap in scale, Alcatel remains a small US player by comparison with the

American Telephone & Tele-graph (AT&T), has a 58 per cent share of the transmis-sion market there.

However, the French company will overtake Northern Telecom of Canada, which has an 8 per cent transmission equipment market share, and NEC, the Japanese electronics giant, which holds 6 per cent of US

For Alcatel, ilm immediate attraction of the acquisition is to provide a US distribution network for its latest range of transmission equipment, based on a world standard called Sonet (synchronous optical network). This allows were to transmit voice, data and pictures along a single telephone line. Alcatel's Sonat-based equip-

ment is more advanced than Rockwell's.

An Alextel spokeswoman said:
"We said we didn't went to enter the US market with the existing range of products. Sonet gives us a tech-nological window. . Rockwell gives us a good way to increase our impact in transmissions, which is the only area of the US telecommunications | | | which Mevolving." Mr Pierre Snard, Alcatel Ala-thom's chairman, has been keen

to build up the group's telecom-munications businesses ever since the ITT deal. Telecommunications is the group's largest single profit ener, producing 76 per cent of the roup's FFr12.55bn operating profit last year and it per cent of its overall results turnover in 1990.

Alcatel Alsthom's most recent hig step in that direction was last October's complex exchange of assets with Fiat, the car maker, thich gam Alcatel con-trol of the company destinant group's telecommunications business. That placed Alcatel second in the world cable transmission market and and brought it level with NEC ioint world leader in microwave

Telettra allowed Alcatel to increase market share just where it was weak, in transmission equipment in Italy and Spain. The Rockwell deal allows Alcatel to fill in another large patch on its world map.

Welcome global ball one thing is certain shead of today's start of the 17th eco-summit of the world's leading industrialised nations, it is that the event will be hailed evidence ever-in-

tionalisation and interdepen-The presence in London heads government forthe Group Seven countries; the participation in the talks of European Community delegation, and the arrival on Wednesday of President Mikhail Gorbachev and his entourage appear to be contineing appear to be contineing appear to be that the

creasing globalisation, interna-

vincing enough proof that the world is now a global village. At a less elevated status, the jumbo jet, modern telecommu-nications technology and finan-cial liberalisation have turned cross-border business and tourism into such routine matters that it seems only right to talk of a new era in international

But is M Not really, Mr David Henderson, head of the Organisation for Economic Co-operation and Development's economics tics department,

When presenting La latest Lier this month, he asserted that "the world in July in it clearly further than it was in July 1914".

Mr Henderson argues that there was much more ha trade, free capital movement, free migration and travel in the world of July 1914 than the world of today. And Mr Henderson can

invoke 🕍 least one distinguished observer from that time to support his thesis. Immediately after the First World War, John Maynard Keynes looked back in awe and with regret at ■ world in which the internationalisation of social and economic life "was

almost complete".

It is worth quoting Keynes's description the pre-1914 world at some length. "What an extraordinary episode in the economic progress of man that

Economics Notebook

A long wait for the golden age of globalisation

the townspeople of any sub-stantial municipality in any

nent, except in the further improvement, and any

age was which came to an end in August 1914!" wrote Keynes in his "Economic Conse-quences of the Peace", pub-lished in 1919.

the natural resources and new continent that fancy or infor-

everywhere, m migration is some in of the An optimist would that these shortcomings on the path to globalisation simply illustrate what scope exists for further economic integration and the economic growth that is associated with it. If market forces or governments continue

deviation from it as aberrant, scandalous and avoidable."

In some respects, recent his-

goods and services are unified and there is absolutely no dis-crimination against foreigners.

Indeed, according to Mr Hen-

Only Australia, Japan, New

Zealand and Turkey among the

OECD's 24 industrialised member states ended the 1980s with

trade regimes that were more

• Financial markets outside

the OECD area have yet to be

liberalised in line in the

■ In almost all countries, pri-

long being is a fully non-discriminatory

International migration is

heavily controlled

world

liberal than at the beginning.

Thanks to the post-Second World War multilateral trading world War multilateral trading system and a decade of financial deregulation, some parts of Keynea's description of the globalised economy that was destroyed by the First World War will seem familiar enough. A few — notably the thought of sending one's servant on an errand to the local NatWest. "The inhabitant of London could order by telephone, sip-ping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery on his doorstep; he could at the same moment and by the same means adventure his wealth in errand to the local NatWest — must appear aberrant to all but the most privileged. But on Keynes's evidence, the world has yet to catch up with the conditions of 77 years ago, as anybody setting off abroad with just a bag of coins and no passport would soon discover. enterprises of any quarter of the world, and share without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of tory has the from rather than progress to a fully interdependent omy. This Mr Henderson says is one in which markets for

mation might recommend.

"He could secure forthwith, if I wished it, it and comfortable transit to any country and climate without passport or other formal-ity, could dispatch his servant to the neighbouring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or cus-toms, bearing coined wealth upon his person, and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain and perma-

ments continue
against barriers and succeed in
dismantling them, the is
economic performance and ishared prosperity.

However, there are sufficient problems on the current inter-

national agenda to suggest that such progress is far from inevi-Nationalism is emerging as a potential threat to the globalised economy. The current crimin Yugoslavia and the state authorities in Soviet Union an just the most

prominent examples.

which has acted
as a interdependent world economy la also causing economic performance among nations and regions to diverge. In particular, the gulf between industrialised and developing countries is widen-

In addition, pressure is grow-ing for immigration from the poor developing world to the rich industrialised countries. Land and experience rich countries would increase global wealth. But politics could well determine oth-

Undoubtedly, the presence in

Undoubtedly, the presence in London this week of politicians representing more than two thirds of the earth's gross national product is striking testimony to the idea of the global village. But it could just as easily be that the historic meeting of the GY with Mr Gormeeting of the G7 with Mr Gorbachev marks no more than a temporary high point in the history of global interdepen-dence and that we may have to wait another 77 years achieve a golden age similar to that described by Keynes.

Property groups may merge

By Clare Pearson

ROSEHAUGH and Stanhope two UK property companies with much of their assets in a joint company, will confirm to the London stock exchange today that they are in merger

regulations.
Talks have begun amid market concern about the financial position of Rosehaugh, where the share price has fallen sharply in recent months.

Terms of any deal would be expected to reflect the stronger rostium of Stanhame, although

position of Stanhope, although it has also been hit by the depressed property market.

Olympia & York, the Canadian property group building
Canary Wharf in London's Docklands, owns 32 per cent of Stanhope and 9 per cent of Rosebaugh. It is thought to

favour a merger.

The fortunes of the pair are linked through their joint com-pany, Rosehaugh Stanhope Developments, which owns Broadgate in the City of Lon-don, their biggest asset. Share prices of both have

development, where a sale has yet to be announced. A key question in the negotiations is the longer-term role of Mr Godfrey Bradman, Rosehaugh's chairman.

been hit by worries about the

two companies has sparked clashes between Mr Bradman and Mr Stuart Lipton, chairman of Stanhope. As of June 1990, Rosehaugh Stanhope Developments had gross assets of £1.7km (\$2.7km) of which £1.4km was invest-

ments and £300m develop-

The association between the

At the interim stage. Rosehaugh reported a loss before tax of £50m, after a £39.2m write-down of trading proper-ties and £13.9m for RSD. Stan-Peter Norman hope reported a loss of £33.8m. **Eagle Star Insurance Company Limited**

has sold

Eagle Star - Compagnie de Bruxelles 1821 S.A.

ASLK/CGER-Insurance

Www.acted...... financial adviser to Eagle Star Insurance Company Limited.

Goldman Sachs International Limited

Goldman

June 1991

By Antonia Sharpe

GARTMORE Investment Management supporting the directors of Etam, the clothing retailer, in their attempt 🖿 fend 🚾 🗷 hostile bid the South African-controlled Oceana Investment Cor-

This was revealed yesterday by Lazard Brothers, Etam's

Etam's document, issued on Saturday, showed with 12.71 per cent Etam's bave

Ramar £6m

in red after

exceptionals

IN conjunction with a proposed reconstruction, Ramar Textiles

has issued results for the nine

months ended March 28 1991 showing a loss of £5.84m after

exceptional charges of £6.05m.
Mr Colin Radin, chairman, said the reconstruction

included refocusing the com-

pany's main activity as a supplier to Marks and Spen-cer, disposing of the wholesale/ mail order division, strength-ening the main board, and

injecting substantial equity

capital.

A further statement would

In the period operating profit of continuing business was £1.25m, against £1.63m in the 13 months to end-June 1990,

while the wholesale/mail order

division incurred a loss of

247,000 (profit £169,000). Overall

turnover came W £15.9m

Mr Radin explained

to substantially reduce production capacity in the north of England and cut bank borrowing; that led to an extensive stock clearing and

be made as soon as possible.

also resolved to reject Oceana's offer in respect of their own beneficial holdings amounting to 10.2 per cent.

Other institutional and pridirectors' families, have also stated that they intend to reject the offer, bringing the total to 33.9 per cent. Mr John Dear, managing director at Lazard, said in the institutional shareholders, Postel Investment Management with 1.79 cent, and Schroder

NEWS DIGEST

provision programme which

in exceptionals.

There in for redundancies £408,000, fire claim £501,000, and sundries £316,000.

Fully diluted
share 35.7p (carnings
4.6p). preference dividend
for six months ended June 1991

US Smaller Cos

heads for market

The US Companies

Trust seeking join the market via a \$20m placing by Single and County

WoodMac, II III sign of renewed activity in III

The trust will be managed

by the Boston-based Welling-ton Management International

which is being appointed on a six month contract and will

take a fee of 0.8 per cent of

Ordinary shares will be

issued at 100p each, with war-rants attached. Shareholders will be entitled to vote on the

winding-up of the trust after

three years. US smaller companies had a

long period of underperformance in the 1980s but have

DIVIDENDS ANNOUNCED

Olvidende shown pence per ahare otherwise after allowing for up tesus, rights and/or acquisition issues. \$USM stock.

ment trust sector.

Investment Management, with 4.78 per cent, had not yet dised their intentions. Oceana, a holding comp

for the overseas interests of the Lewis family which runs the Foschini store chain in South Africa, has a 29.2 per cent stake in Stam and is offering 185p for the rest, valuing Etam at £121m. The price was set in a recent tender offer and will not be raised. Oceana's offer closes on July 25.

made a strong revival this year, with the short term unit

trust performance tables largely led by US smaller com-

Only £9,000 profit

for CPU Computers

Computers,

USM-quoted of peripheral equipment, made

pre-tax profits of only £9,000 in 1990, in line with the warning

And the directors said the outlook for the current year was poor. The group would be in loss for the opening half essentially because of trading difficulties in the German operation.

ation.

The year's profit compared with 2534,000 in 1969, and was

made on turnover of £74.7m

(£60.5m). Gross profit came to £11.6m (£9.18m) but operating

costs shot up to £10.3m (£7.72m) and interest charges to £1.35m (£933,000).

There were losses per share of 0.46p (earnings 1.23p) and the dividend is omitted (0.62p).

Invicta runs up

£240,000 loss

Etam's directors reject Oceana's claim that Etam failed to justify more than 175m of capi-tal spending in the last three years. The directors say the investment was spent on increasing retail space from 337,000 to 853,000 sq ft, the acquisitions of the fashion chains Snob and Peter Brown, the development of new Etam brands and the building of a new distribution centre. Etam shares closed unchanged at 181p on Friday.

Explaura makes £4m cash call

EXPLAURA, the limestone-quarrying group, is raising \$2.8m net in a l-for-4 under-written rights issue at 14p. Before the announcement the

share price was 17p. Explanta also appounced a strengthening of its manage-ment, with the appointment of Mr Budolph Agnew as chair-man and Mr David Singleton as managing director. They are joint chairmen of Federated Aggregates, which has entered into a two-year agreement to advise Explaura on all aspects of production and marketing of aggregates mined at Lowe Cove, Newfoundland.



Invicta Sound, the Kent-based radio and television services Rudolph Agnew: new chief company, incurred a pre-tax loss of 2240,000 for the half year ended March 31. The loss, which compared The cash will be used to establish shipping terminals on some of the major East coast cities in the US, funding addiwith previous profits of £97,000, was struck from a turnover of £1.78m (£1.97m) and after tak-ing account of exceptional pro-visions of £183,000 (£20,000). Advertising income fell by 9 tional freight costs, and further development of limestone

This year the group had operated at a significant loss and expected disappointing 1991 results. However, a higher level of activity already apparent was expected to continue. Losses per share emerged at 2.16p (earnings 0.66p). The com-pany's shares are traded on the USM.

eposits at Lower Cove.

First National Radio embarks on £16m cash raising

commercial national radio sta-

tion, will this week embark upon the task of raising the 216m required to launch it.

in seeking support it will emphasise its determinedly low-brow vision of "tabloid radio". Mr Clive Lindley, a

fanto. Ar Cirve Limitey, a director of FNR, says the new Showtime station will look at "the tabloid world of entertainment, show business and the royal family" in the 25 per cent of strime devoted to speech the says lightening.

between the easy listening-

The menu will include the

proven chat show ingredients of "a famous name interview-

ing famous names."
Some figures have emerged as FNR embarks on a five-week

mpaign to secure £16m of

equity investment.

Broadcasting is due to start next spring, with Chiltern car-

rying out most of it — under a contract worth perhaps £1.5m a year — from its Milton Keynes

studios. A studio in London

style music.

buy MMG FIRST National Radio, the consortium which raised eyebrows with the size of its successful bid for the UK's first year and 22 transmitters.

TT GROUP, the industrial holding company, has failed in its £9.9m bid for Magnetic Materials Group, the USM-quoted maker of mag-

TT fails

attempt to

in its

By Jane Fuller

By Saturday's closing date, Tr controlled just over 38 per cent of the equity. Its cash offer of 54p per share com-pared with MMG's Friday closprice of 57p. There was

tive.

Mr Nicholas Shipp, a

tor, said TT had known

MMG would be a hard nut to crack because 44 per cent of the equity was held by the Michaelis family, including the 90-year-old non-executive chairman Mr Eduard Mic-haelis, and by directors. It had won two-thirds of the other equity, mostly from institu-

"We will be breathing down the necks of the MMG management," he said.

Mr John Emanuel, MMG's chief executive, said: "Our arguments have held up well. It was trying to buy the group on the cheap."

Euro Leisure sees slight improvement

European Leisure, the largest nightclub operator in the UK said that trading conditions had improved slightly since it reported interim results last March, writes David Churchill. The statement follows a sharp fall in the share price from 9p to 6p late last week after 10m shares, or 8 per cent of the equity, were sold. They closed 2p higher at 8p on Fri-

European's a reent said it believed it subject of a "baseless campaign" from a former director and shareholder with whom it had a number of disputes outstand-

There is understood to be pressure from dissident share-holders for an extraordinary meeting, although such a meeting has yet to be called.

Heywood **Williams** has 26.9% of Thurgar

year. Building 22 transmitters to reach most of the UK's 46m

over-i5s will cost about £4m

to BBC Radio Two.

The target market is the 35 to 55 year olds currently listening

Advertising revenue is esti-

mated at £5.5m in year one.
Radio Club which led a rival
bid but the Treasury
only a fraction of FNR's £1.75m

a year payment, was reckoning on £7.5m. In year two, both

stimate £10m. FNR does not expect to make

a profit until year three -after the marketing bulge -and it believes the break-even

revenue figure to be film. By year six, Mr Lindley is looking for £40m revenue, not much

more than Capital Radio brought in last year from its two London stations.

Government takes 4 per cent of revenue, as well as the fee of £1.75m a year plus inflation. The Radio Authority gets £1m and another slice goes to copy-

right organisations.

By Andrew Bolger

HEYWOOD WILLIAMS, the MEYWOOD WILLIAMS, the UK's largest glass distributor, claims it speaks for 26.98 per cent of Thurgar Bardex, the Kettering-based manufacturer of windows, doors and other plastic products.

Heywood launched its £8.6m hostile offer for Thurgar on July 6, saying it had irrevocable acceptances for the 17.7.per cant stake in Thurgar owned by the Nye family trusts of which Mr Chiff Nye, Thurgar's which Mr Can Nye, intergal schief executive, was a director.
Thurgar, which suspended Mr Nye as chief executive on July 8, dismissed him from that post and from the beard on Friday. It said it had appointed Mr Martin Tarran-Jones as chief executive with immediate effect.

immediate effect.

Heywood lifted its stake to 26.9 per cent after buying 815,000 shares at 40p each from an institutional investor and a private individual.

Terms of the offer are one new share and 160p in cash for every 10 Thurgar shares, valuing each Thurgar share at 413p against 42p in the mar-het.

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				<u>.</u>
	CROSS BORDER	M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
(NO)	Comment (ALI)	Drime	£101m	Guinness expands apirita portiolio
ici (uig	Chamanal Polymers (M)	Polymers	n/a	First acquisition in the restructuring in the control of the contr
Volkswagen (Germany)/ Ching Fong Investment (Talwan)	Ching Chung (JV)		£59 m	VW furthers Asian strategy
Illumini (France)	Unit of Joseph Inti	equipment	£379m	Will me ".".)
Laporte [13]	(US)	Clay	£18.4m	EEC completes !
Construction (Taiwan)	(Hong	and the street of	213m	Participation of the last of t
ECook (Scandinavia)	Synapse (UK)	Computer Services	£5.8m	Agreed bid
Sandax	Dietetique (France)	Dietary	n/a	Rhone-Poulence
Hutchison Telecommunications (Hong Kong)	Microtel Communications (UK)	Mobile -	n/a	Hitchison completes rapid - expansion 7.71
Lancer Boss (UK)	(italy)	Truck menufacture		Boss takes 60%
Source; FT Mergers & Acquisitions	International			9.19

This announcement appears as a matter of record only

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COUNCIL OF EUROPE RESETTLEMENT FUND

PTE 10 000 000 000

BOND ISSUE CERF ESCUDOS / 91

Due July 1996 Fixed II II 13% Issue Price 101 1/2

BPI - Banco Português de Investimento

Caixa Geral de Depósitos

Finantia - Soc. de Investimento

Banco Bilbao - Vizcaya Banco Pinto & Sotto Mayor Banco Totta & Açores Crédit Lyonnais Portugal

Banco de Fomento e Exterior Banco Português do Atlântico Deutsche Bank de Investimento Hispano - Americano, Soc. de Invest.

Bankers Trust International (Londres)

Bank Corporation (Londres) Banesto - Banco Espanhol de Crédito (Madrid) Ist. Banc. San Paolo di Torino (Turin) Commerzbank (Londres) Midland Montagu Fininter J.P. Morgan (Londres) Hafnia Merchant Bank

Deutsche Bank (Luxemburgo) Dresdner Bank (Frankfurt) Sumitomo Finance International (Londres) Bank Brussels Lambert (Bruxelas) Crédit Lyonnais (Paris) Banco Bilbao-Vizcaya (Madrid) DG Investment Bank (Londres)

July 1991

de liurana Aires

US\$46,700,000 Par floating rate Ann 2009

US\$42,150,000 Discount floating notes due

For the period 15 July, 1991 to 15 January, 1992 the notes will bear est as follows:

Par Notes 4.775% per annum sterest payable on 15 January 1992 will amount to: US\$ 122.03 per US\$5,000 Note US\$244.06 per US\$10,000 Note Discount Notes 71/,% per annue

terest payable on 15 January. US\$188.47 per US\$5,000 Note JS\$376.94 per US\$10,000 Note US\$3,769,44 per US\$100,000 Not Agent: Morgan Guaranty

JPMorgan

Trust Company

SEK

AB Svensk Exportkredit (Swedish Export Credit Cosposation) lish Export Ortelit Corporatio corporated in IIIII Krugdom of reden with ismited liability) (IIII 20,000,000

22 per cent. Deutschmark Eurosterling Exchange Rate ("DEER") Notes due 1991 accordance with clause 4(a) of Terms and Conditions ill

demption amount has been calculated as GBP 1,030.96 per GBP 1,000 Nove and GBP 10,309.61 per GBP 10,000 Nove. The STG/DEM aportate ascertained was 2,9456.

CIVAS 9 LIMITED U.S.550,000,000 | Plorting Rate Notes of

July 15, 1991, London By Coburt, N.A., (CSS) Dept.), Agent Ran

Interest Rate 6.74% p.s. Interest Period July 15, 1991 to January 13, 1992. Interest Payable per-US\$3,407.44.

Bank of Ireland

Base Rate

Bank of Ireland

announcs that with

effect from close of business

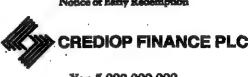
on 15th July 1991

its Base Rate is decreased

from 11,50% to 11.00%

Bank of Ireland

Area Office, 36-40 High Street, Slough, Berkshire SL1 1EL



Yen 5,000,000,000 6½ Guaranteed Variable Redemption Amount Notes due 1992

NOTICE IS HEREBY GIVEN that, in accordance with Condition 7(B) of the Terms and Conditions of the Notes, the Issuer will redeem all of the Notes at their Redemption Amount (calculated in accordance with Condition ?(D) of the Terms and Conditions of the Notes) on 6th September, 1991 (the "Redemption Date"). Payment of the Redemption Amount will be made, on and after the Redemption Date, against surrender of the Notes at the specified offices of any of the Paying Agents, together with all unmatured Coupons appertaining thereto, failing which the face amount of any missing Coupons will be deducted from the Redemption Amount

presentation and surrender of the relevant missing Coupon at any time following such deduction but not later than the expiry of a period of five years after the Relevant Date for payment of such Payment of interest due on the Redemption Date will be made in the normal manner upon surrender of Coupon number 4 on and after 6th September,

due for payment. Any amount so deducted will be paid against

Bankers Trust
Company London
15th July,

Notice of Early Redemption

Mitsubishi Bank of Australia Limited A\$50,000,000

13% Guaranteed A' Notes Due 1993 NOTICE IS HEREBY GIVEN that pursuant to Condition 6(B)

NOTICE IS HEREBY GIVEN that pursuant to Condition 6(B)

above mentioned Inc. (the "Notes") Missibishi Bank of
Australia Limited shall redeem all remaining Notes at their
outstanding principal amount on 16th August, 1991. The
redemption amount payable for each Note shall be A\$1,005.00
plus accrued interest from (and including) 15th July, 1991 to (but
excluding) 16th August, 1991, payable in US\$ at an exchange
rate to be determined on 14th August, 1991. Interest shall cease
to accrue on the Notes with effect from and including 16th
August, 1991. All coupons (whether or not attached to such
Notes) relating to any interest payment date falling due after
15th July, 1991, shall thereupon become void.

Rue The Missibishi Bank I included By: The Mitsubishi Bank, Limited

July, As Fiscal Agent

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Sept 2525/2535 -20
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COMPANIES AND FINANCE

Rating for **US** insurer suspended by S&P

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FINANCEPLO

Landek Resempat

By Andrew Boiger

STANDARD & Poor's, one of the large rating agencies, has Suspended its ratings on Medual Benefit Life Insurance, the New Jersey-based life combany which has run into prob-lems with its hefty property

partfolio. move because neither insurance

gany nor the insurance department would reveal whether regulators planned to keize the ailing insurer.

Mutual Benefit's problems take to light this year. It held unsuccessful talks with Metropolitan Life over a possible cash infusion, and also infused plans to call corrections. mooted plans to sell some busi-

nesses and raise capital.

Dast week, it announced that it was shedding about 30 per cent of its headquarters. an attempt to cut costs.

Mutual of si3bn and 400,000 M policyklers, making it a significant US' insurer although not among players. The ediapany had heavy losses on its real estate investments year and, if seized, would add to a growing list of US insurance companies which have suffered regulatory interven-

tion recently. In California, Executive Life and First Capital have come under the regulators' control, as has Executive Life of New York and Monarch Life in Mas-

"According to US press reports, New Jersey state offi-cials are preparing to seize con-trol of Mutual Benefit. They quote senior officials as saying they expected the company to make an early formal request for state intervention.

Bank in Soffex link

SARASIN et Cie, a Basie-based private bank, has taken a sub-stantial stake in QT Optec, a market maker on the Swiss Options and Financial Futures Exchange (Soffex), Reuter reports from Zurich.

Sarasin said that the stake, of just less than 50 per cent, would allow the bank to

Philips to put cash into video arm

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, is poised to inject at least BFr3.5bn (\$95m) into Super Club, its 51 per centowned, loss-making Belgian video rental company. The part of capital increase in the up the Bel-

gian company's equity.

Super Club, which published details of big 1990-1991 losses on Friday, said the capital increase and "possible additional and a super company of the capital increase and "possible additional and capital capital and capital tional measures" were designed to BFr7bn and BFr7.5bn to replen-negative shareholders'

equity.

The injection of capital marks the second time in months that Philips has had to

come to the aid of its debtladen associate company.
Philips has promised to take up all the shares to which it is entitled, implying a minimum investment of BFr3.5bn. It will also underwrite the rest of the moital increase if other share-holders decline to take part.

If Philips were forced to take up the entire share issue, its stake in Super Club could rise to as much as 75 per cent, depending on the terms of the capital increase. Details of the capital-raising

expected soon.
In March, Philips took control of Super Club by injecting BFr4bn in fresh funds and enlarging its stake from

12 per min to 51 per min Philips' increasing involve-ment in Super Club comes when the Dutch company itself is battling to reduce costs and return to profitability.

Philips says its participation in Super Club gives it access to market for "software", complementing and reinforcing in role as an important supplier 🗃 😘 🚾

players.
Super Club, which operates video rental outlets and Europe, posted a loss of March 31, on turnover of

BFr16.4bn.
It said that about 60 per cent of the loss was due to restruct-

uring costs, one-off depreciations and changes in In accounting system, particu-larly in intangible items.

Philips the full extent of Super Club's losses had not come as a surprise. Philips forecast that Super Club would narrow its losses in the current year and would see a recovery in results from normal busi-

ness operations.

After writing off the 1990-91 loss and BF13.7bn in goodwill, Super Club's equity stood at a negative BF16bn at the end of

The fast-growing company, established in 1983, accumulated debt as it expanded by

Commonwealth Bank float strongly backed

THE A\$1.29bn (US\$980m) public flotation of the government-owned Commonwealth strong support from institu-ils and stockbrokers, who committed themselves to underwriting the issue, Reuter reports from Sydney. "The institutions have com-

mitted themselves to up to 55 per cent of the issue and the have committed themselves to up to 25 per cent. So, on that basis alone the issue was a success," said lead man-ager JB Were and Son.

The government is selling to the public 239.3m new shares, or about 30 per cent of the bank's capital, at A\$5.40 each. Underwriting commitments for the closed on Friday.

In addition to public issue, the bank is offering a further to its employees at A\$4.86 each, bringing the total issued capital to A\$1.57bn.

This announcement appears as a matter of record only

VICAT

VICAT

has acquired majority stake in

KONYA ÇİMENTO SANAYİİ A.Ş.

from

The undersigned initiated this transaction and

acted in financial advisor to VICAT

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(An affiliate 👊 Bank Indosuez, Generale Bank,

Amro Bank and Societe Generale de Belgique)

AVESCO plc

NOTICE TO HOLDERS OF BEARER SHARE WARRANTS OF **ANNUAL GENERAL MEETING**

"Avesco pic ("the Company") has on 12th July 1991 posted to its registered shareholders the Annual Report and Accounts for the year ended 31st March 1991. Notice of the Annual General Meeting of the Company, to be held at Venture House, Davis Read; Chessington, Surrey KT9 1TT on Monday the 12th day of August 1991 at 11,00am is included with the Annual Report and Read; Chessington, Surrey KT9 1TT on Monday the 12th day of August 1991 at 11,00am is included with the Annual General Accounts, copies of which and of the Forms of Proxy for use at the Annual General Meeting are available from the registered office of the Company or from the offices of Kempen & Co NV or County NatWest Wood MacKenzie & Co Ltd., the addresses of which are set out below.

TÜRKİYE İŞ BANKASI A.Ş.

investors are barred from subscribing to the and no ma think/llm other than the government Also, 56 per la la new will be una to may own more than 5 per cent.

Also, 56 per la la new will to may be una to may be una to may general public in parcels of a minimum 400 shares,

 The public issue in Telecom New Zealand, the biggest offer-ing by a New Zealand-based company, is likely to be over-subscribed in its home coun-try, according to lead manager Fay Richwhite Passes Fay Richwhite, Reuter reports from Auckland.

Mr Stuart Johnstone, invest-ment banking manager, said: "It is apparent that the issue will be oversubscribed. There is more demand there than shares available."

The 140m shares offered in New Zealand are part of 420m being by owners Ameritech and Bell Atlantic, of the big US regional telephone

NRI TOK	NRI TOKYO BOND INDEX									
PERFORMANCE INDEX										
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Banks seek to break deadlock on La Seda

Seda de Barcelona, the loss-making Spanish textiles comhave made counter-proposal aimed at breaking I
deadlock with the company's majority shareholder, Dutch chemicals group Akzo, Reuter reports from Madrid.

The bank creditors,

nated by Bank of America, met on Friday to discuss the stale-mate that ensued when they rejected an Akzo proposal that they take over its 57.5 per cent shareholding in La Seda, and write off the textiles company's borrowings by Pta7.5bn

La Seda said the banks' po-posal had been made with a view to re-entering talks with the Dutch company's directors, headed by Mr Aarnout Loudon, its chairman its chairman.

The situation at La Seda was aggravated after a supervisory board meeting at which three directors resigned, leaving the company in a legal vacuum. Akzo ald uplans up

place in La would not affected, but admitted in a total would continue until an extraordinary share-holders' meeting could be

Il was not known what the new limit proposals contained, whether there was a deadline by replying. There was no confirmation that they involved unfreezing



Agrnout Loudon: heading talks with La Seda

credit lines to La Seda to facili-

La Seda is a large employer in the Barcelona region, and its potential demise in the event of Akzo not finding a compro-mise arrangement with creditor banks has triggered a polit-

ical controversy.

Aleso said on Friday that, in the absence of a deal with La Seda's creditor banks, it be prepared in transfer its shareholding in a third

The Dutch group said it had reached an agreement in prin-ing for improvement in prin-spanish investors take over Akzo's 57.5 per cent stake in La Seda.

Mitsubishi to buy 20% of Canadian iron ore group

MITSUBISHI, Japan's biggest trading corporation, has agreed to buy an interest in the Iron Ore Company of Canada (IOC)

for \$66m. Mitsubishi will acquire a 20 per cent interest in IOC and a 50 per cent interest in the sales agency right of IOC, which handles ore sales, from M.A. Hanna Co of the US. Hanna retains an 8.14 per cent

Other investors in IOC include Bethlehem Steel (34.52 per cent) and National

(19.96 per cent).
Mitsubishi said it manacquiring the stake to broaden its activities in iron ore trading to include management and sales at an iron ore-producing

company.
Mitanbiahi previously

invested in iron ore develop-ment projects, including the Savage River Project in Austra-lia, although this

ended last year. Hanna will continue to manage the operation of IOC, while will be conducted through a joint venture estab-lished by Hanna and Mitsubi-

IOC has a mine in Newfor has a mine in New-foundland and loading facili-ties in Quebec. The company produces 16m tonnes of iron ore yearly, 2.4m tonnes of which were imported to Japan last year out of Japan's total imports of 117m tonnes.

Mitsubishi trades about 18m Antiquism traces about the tonnes of iron ore each year. The agreement is subject regulatory approvals and other conditions.

Profits halved at Alcoa

In Ill three-month period, Alcoa, the world's largest alu-minium producer, made \$81.2m after tax, down from \$161.9m in the same period a year earlier. Revenues eased from \$2.74bn to \$2.6bn. Alcoa said prices for alumina were down by 25 per

PROFITS fell by 50 per cent at Aluminum Company of America (Alcoa) in the second quarter of 1991, largely as a result of price falls for a range of products.

In three month paried by falling prices for many fab-those used in the construction market, and for aluminium

included exchange adjustments amounting compared with gains a ago.

Threat to KHD sales goal

KLOECKNER-Humboldt-Deutz, the German engineering group, may not meet its goal of increasing group sales by 5 per cent this year from the DM4.060n (\$2.2bn) of 1990, Reuter reports from Cologne.
At its annual meeting, KHD

said group sales were 2 per cent down in the first five months of 1991, after rising by 1 per cent to DM1.17bn in the first four months.

KHD said it was concerned about political unrest in Algeria, where the group is active. Developments there would determine if the 1991 group sales goal was met.
The company said it expecled flat 1991 profits, after reversing losses into a group net profit of DM30m in 1990. However, it want that incoming orders were continuing to decline. Orders on hand

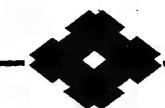
reached DM2bn in the first five months, a rise of 6 per cent from the start of the year. Foreign turnover fell 14 per cent in the period, while the plant construction sector reported a sales rise of 25 per

KHD plans to close its Spanish unit Cia de Motores Deutz.

Insurers' credit ratings cut

STANDARD Poor's, the US credit-rating agency, has downgraded the ratings for claimpaying ability of some leading UK insurers, amid fears that competitive insurance rates and unpredictable equity markets will further dampen prof-itability, writes Richard Lap-

Sun Alliance's rating has been cut from triple A to dou-ble A plus; General Accident's, Eagle Star's and Legal & General's (general insurance and shareholders' fund) fall from double A plus to double A; and Royal Insurance and its Royal Re subsidiary slip from double A to double A minus.



Sumitomo Trust & Banking Co., Ltd. Financial results as of

31st March 1991

	Y8.50 per share	TLED per share
Total Assets in Trust	31,803,785	31,457,482
Total Assets in Banking Accounts	TAMAM	18,819,817
Net Income	52,041	62,231
Income before Income Taxes	¥91,740	¥132,246
	Millions of Yen ended 1991	Millions of Yen Year ended 31st March 1990

The Annual Report for the year ended 31st March 1991 will be upon request from August 31st 1991. Please direct enquiries the address below.

The Public Relations Dept. The Sumitomo Trust & Banking Co., Ltd. 155 Bishopsgate, London EC2M 3XU Telephone: 071-945-7000 Fax: 071-945-7177/8

United Kingdom and in Republic of Ireland Limited ("the London IIII" Exchange"). The notice does we constitute an offer or an analysis to any person to subscribe for or purchase any securities of The Burton Group ob (the "Company"). Application has been made in the Council of the London Exchange for a total of 1,117,107,560 ordinary and of Company be issued to Company's existing ordinary shares of Stip each and the proposed 1 for 1 rights issue ("Rights Issue") as described in the circular to shareholders of the Company dated 28th June, 1991) to be admitted in the Official List, II is expected that listing will become effective and that dealings in such shares will communes 🚃 23rd July, 1991:

The Burton Group plc

(Registered in England in registered No. 237511)

Rights Issue

The authorised and issued and fully paid share capital of the Company following the subdivision of the existing share capital, the increase in authorised share capital in on completion of the Rights Issue | be as follows:-

Auth	porised		Issued and	fully paid
£ 160,000,000 320,000,000	Number 800,000,000	ordinary shares of 10p each deferred shares of 40p each	£ 111,710,756 223,421,512	Number 1,117,107,560 558,553,780

Details of the ordinary shares of 10p each are contained in the listing particulars relating to The Burton Group plc which me included in the Companies Fiche Service available from the London Stock Exchange. Copies of the listing particulars may be obtained by collection only during normal business hours = any weekday (Saturdays and public holidays excepted) = and including 17th July, im from the Company Announcements Office, the London Stock Exchange. 46-50 Finsbury Square, London EC2A 1DD. Copies of the listing particulars during normal business hours me to and including 29th July, will from the offices of:-

The Burton Group plc, 214 Oxford Street, London W1N MIII

S.G. Warburg 🖿 Co. Ltd., 2 Finsbury Avenue, London EC2M

15th Info. 1991

This announcement as a matter of bondy.

US\$22,600,000

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An exempted company incorporated I liability in Cayman III

Managed by

Morgan Grenfell Investment Management (Asia) Pte. Limited

Placing of 4,520 Units at a price of US\$5,250 per Unit payable in full on subscription. Each Unit will consist #f 1,000 Shares and 200 Warrants each to subscribe for one Share at US\$5.00 per Share

imal managed and arranged by CITICORP INTERNATIONAL LIMITED

Morgan Grenfell Asia Group Merrill Lynch International Limited

Sponsored by

Citicorp Vickers Hong Kong Limited

July 1991

Dated 15 July 1991

Important notice to bearers of share warrants; You will not be entitled to attend or vote at the Annual General Meeting is your Share Warrant and a statement in writing with your name and address is deposited on or before Tuesday 6th is your share Warrant and a statement in writing with your name and address is deposited on or before Tuesday 6th is your Share Warrant at the offices of County 81991 at the offices of Kempen & Co NV, Herengracht 182, PO Box 11363, 1001 GJ Amsterdam or at the offices of County lest Wood Madkersie & Co Ltd., 135 Bishopsgate, London ECZM 3UR. The Share Warrant shall remain so deposited until the Meeting or any adjournment thereof shall have been held. Registered Office: Venture House, Davis Road, Chessington, Surrey KT9 111

July 1991

Inflation signs give traders hope

GILT yields continued to move downwards last week, with the market taking heart from prospects for lower UK inflation during the next year.

during the next year.

However, there were some signs that the buoyancy in the market two weeks ago had started to disappear, with some gilt practitioners depressed by the worse-than-expected figures for retail price inflation appropried on Friday.

Although gilt prices generally ended the week on a hopeful note, there was some selling out of UK government bonds into French government securities. The yield spread between UK gilts and French - around 135 basis points (or 1.35 percentage points) at the beginning of the week - had climbed to around

145 hasis by Friday night.
Friday's half-percentage cut
in UK base rates, the sixth
decrease since mid-February,
was widely expected and failed to increase the temperature of the market. Base rates were hrought down to 11 per cent government effort to revive the

Gilt specialists were also enticipating Friday's

UK gilts yields Restated at par (%) July 5, 1991

July 12, 1991 10 years 20 announcement of a £500m issue of existing government bonds by the Bank of England. The issue is being sold in two £250m tranches - of 12 per

cent exchequer stock due 1998, and 9.5 per cent conversion stock due 2005. They will be available for an on July 15 1991. The certified prices on the tranchettes are 1064 on the 12 per cent stock, and 854 on the 12 per cent stock, and 854 on the 18 per cent stock are secretices.

the 9.5 per cent securities.

Last week was dominated by two pieces of news on inflation, one good for the gilt market and one less promising.

The good news came from an announcement that prices of manufactured goods increased There was an increase to 6.9 per cent from 6.7 per cent in the Treasury's preferred meaat a yearly rate of 5.7 per cent last month, the lowest annual sure of inflation, which excludes mortgage interest payments. Leaving aside the poll tax too, underlying infla-tion climbed to a 10-year high rate of increase for more than a year. The output price index, which rose by 0.3 percentage points to give an annual increase of 6 per cent in May, stayed unchanged in June.

of 8.9 per cent in June.

However, the slightly depressing impact of the retail price statistics falled to dent the confidence of the market A separate index which A separate index which strips out food, drink and tobacco prices also surprised analysts by rising only 5.2 per cent, after 5.5 per cent in May. This is regarded as a key measure of underlying inflation by the Treasury, and showed how low demand has cut into manufacturers' shillty to manufacturers' shillty to manufacturers' shillty to manufacturers' ufacturers' ability to push

the confidence of the market about future inflation trends. News expected this week of a further large rise in unemployment, plus bleak figures for industrial output, are likely to push home the message that Britain will remain in the grip of recession for some time.

Mr John Shepperd, analyst at S.G. Warburg, said: "I am inclined to regard the latest retail price figure as a one-off, against the general trend."

Mr Steve Bell, economist at Morgan Grenfell, says the rise in prices in the gilt market recently should continue during the next few weeks. "The news about the recession will continue to be depressing and through price rises.
The less wonderful news The less wonderful news came from the fact that the rise in retail price inflation, which had been expected to show a fall in June, stayed at an annual rate of 5.8 per cent in June, the same as in May. The Central Statistical Office said a rise in seasonal food prices as a result of the poor prices, as a result of the poor June weather, had kept inflation above the expected continue to be depressing and my advice is to buy gilts." rate of about 5.6 per cent. Price rises for alcoholic drinks and

Peter Marsh

JAPANESE BONDS

No reaction to Big Four suspensions

JAPANESE bond markets remained subdued last week in advance of the four-day suspension from trading of the Big Four brokerages - Nomura, Daiwa, Nikko and Yamaichi -

which begins today.
While revelations of the stock—scandals crippled the equity market, the bond mar-ket failed to react, and yields have remained around 6.8 per cent, although volume has fallen to a daily range of Y200bn to Y300bn (\$2.1bn),

Trading, mostly driven by the Big Four, stagnated Even the usually volatile bond futures contracts were quiet. with volume plunging to

Y170bn on Friday.
There was no "flight to quality" by investors shifting funds from stocks to government bonds. And although some investors were seen selling stocks, funds were not placed into the bond market.

The unexpected discountrate cut at the beginning of the

month also had little effect on bond yields and short-term interest rates. Three-month CD rates eased by a mere 30 basis points to 7.61 per cent, and yields on the No 129 10-year benchmark bond fell only from 6.855 per cent to 6.730 per cent.

"The underlying fundamentals are not good," says Mr. Russell Jones, economist at

Russell Jones, economist at UBS Phillips II Drew, Investors reckoned a further cut in interest rates was needed for a rally, since monetary easing had already been discounted into bond yields on hopes of credit essing at the beginning of the year.

Although rumours of a fur-ther cut in interest rates are widespread, analysis contend that another credit easing could undermine the credibility of the Bank of Japan. Explanations for the recent

rate cut were related to Japan's willingness to prove its support for the world economy and to support the falter-

Cassa di Risparmio delle Provincie Lombarde – CARIPLO

ttalian International Bank Plc

Deutsche Girozentrale International S.A.

(Monte del Paschi di Siena Banking Group)

Morgan Grenfell & Co. Limited

Banque Générale du Luxembourg S.A.

Crédit Local de France

DSL Bank Luxembourg S.A.

BNL Investment Bank plc

The Daishi Bank, Ltd. Nippon Trust Bank Limited

Alm. Brand Bank

Bank of Kinki, Ltd.

ing domestic equity market. Both reasons, while plausiole, contradict what Mr Yasushi Mieno, Bank of Japan governor, has been reiterating: that monetary policy should not be set on the basis of foreign pressure, or movements of the stock market.

electricity, and motoring costs

If investors perceive that monetary policy is being affected by factors other than economic, confidence in the Bank of Japan could deteriorate, causing a re-evaluation of prospects on long-term infla-

tionary pressures.

Meanwhile, the volatile stock markets have given rise to fears that banks, which have to meet stiff capital-to-assets ratios, may be forced to liqui-date their bond portfolios. Several city banks have indi-

cated that they may start to sell some 20 to 30 per cent of existing bond holdings over the next few years. An average city bank holds up to Y1,700bn in government bonds.

This announcement appears as a matter of record only.

US\$135,000,000

Term Credit Facility

Arranger The Sumitomo Bank, Limited

Underwriters

Westdeutsche Landesbank Gz, Düsseldorf/Münster

Lead Managers

The Sanwa Bank, Limited

Co-Lead Managers

Managers

Zentralsparkasse und Kommerzialbank Aktiengesellschaft, Wien

Participants

ISTITUTO per il CREDITO SPORTIVO

Mr David Atkinson, analyst at Salomon Brothers Tokyo, says that liquidation to bond holdings will be an ongoing trend. "A gradual sell-off will be seen over the next two be seen over the next two years due to the negative cost of carrying a long-term bond portfolio," he said.

A weak stock market could also prompt banks to raise cap-ital through subordinated debt. A flood of fresh debt could affect the volatile financial markets, and the thin govern-

ment bond market. The fall in overnight call rates below 7.5 per cant during the past week has eased the inverted yield curve.

Some economists see another cut in the discount rate during the next quarter casting some light, but Mr Jones says that a big reduction in short-term interest rates will be needed. and it may be 1992 before the

Emiko Terazono

US MONEY AND CREDIT

Calm as Greenspan is reappointed

Money supply: In the week ended July 1, M1 fell by \$3.5bn to \$862.1bn

ference between his and the

Fed's inflationary goals. Yet it is known that most members

of the policy-making Federal Open Market Committee, led

by hawks like Mr Wayne

Angell and Mr David Mullins,

the new vice-chairman, sup-port the idea that Fed policy should attempt to bring down

inflation as near to zero as pos-

in producer prices during June, reported on Friday, indicated

that the Fed's war against

inflation was being won. But retail sales data

suggested that the economic turnround was proving pain-

fully slow, and talk resurfaced

that the Fed might have to cut

interest rates again to add fuel

There is no shortage of economic analysts predicting a double-dip recession if policy is not eased soon. If their fore-

casts of a deterioration in eco-nomic indicators later this

to the recovery.

FT/AIBD INTERNATIONAL BOND SERVICE

ould attempt to bring down

The bigger-than-expected fall

WHEN Mr Alan Greenspan was appointed chairman of the Federal Reserve in 1987 the bond market reacted with one of its largest one-day declines. Last week, when US President George Bush announced that Mr Greenspan was to get another four years at the helm of the country's central bank, no one reached for the panic

The sharp drop in bond prices in 1987 reflected dismay that Mr Paul Volcker would not be not staying for another term, rather than a lack of confidence in the newcomer. Yet the warm reaction to Mr Greenspan's reappointment last week represented a small triumph for the Fed chief, who had the difficult task of filling the gap left by Mr Volcker, a central banker admired for his

tough stance on inflation. Although Mr Greenspan's reappointment for another term had always been odds-on, the delay in the announcemen was seen by many observers as a reminder from Washington that the Fed's "gradualist" approach to interest rate policy has sometimes been too gradual for the Bush administration's liking.

It is no secret that the presi dent was unhappy last year with the Fed's reluctance to cut interest rates when it was obvious that the economy was heading into a recession. That Mr Greenspan eventually engieered a series of rate cuts in early 1991 did go some way to restoring the administration's faith in the Fed, but the differences never fully healed. The feeling remains that the

politicians wanted more rate reductions than they got. This feeling was probably behind the rumour last week that the president had considered replacing Mr Greenspan with Mr Cambid Control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the control of the cont Gerald Corrigan, president of the New York Federal Reserve Bank. Speculation died when Mr Corrigan was chosen by the world's biggest central bank to become chairman of the influential Bille Committee on

Banking Supervision.
The US financial community reacted positively to the chair-man's reappointment, but it was not long before fresh evi-dence of differences between the objectives of the Fed and the Bush administration reappeared, threatening to undermine the market's good mood. On Friday, Mr Nicholas Brady, the Treasury secretary, said that low inflation was a more practical policy goal than zero

Mr Brady immediately denied that there was any dif-

#

US MONEY MARKET RATES (%) political pressure for lower interest rates will mount, especially as the downward direction of inflation appears to leave room for a rate cut. Such a scenario would be good for bonds, but the market will be reluctant to bet against another loosening of the mone-US BOND PRICES AND YIELD? (%)

tary reins by a Fed chairman full of confidence after his reappointment and still unhappy with consumer price inflation at about 5 per cent. • The municipal bond market will be keeping a close eye this Tuesday on the first steps in the City of Bridgeport bankruptcy case. Local courts will hear objections from the state of Connecticut to its largest city's filing under Chapter 9 of the Bankruptcy Code, and the arguments are expected to last

for about a week.
While this has no immediate bond market impact - Bridgeport has gone out of its way to stress that payments on its \$200m worth of issues out-standing will be met in the short term - the case may focus attention on the shaky state of municipal finances,

especially in New England.
The Bond investors Association has noted that, while corporate bond defaults fell during the second quarter, the tax-exempt municipal bond market showed a marked deterioration, with 36 issuers defaulting on \$2.09bn worth of bonds. This is up from \$989m of defaults in the first quarter, and is the highest quarterly figure for eight years.

Patrick Harverson

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Unp East

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

S MONDAY ILLY

Patrick Harres

on deals for Kuwait

DISCUSSIONS on Kuwait's of between % and 1 per cent first long-term borrowing since the end of the Gulf war - and indeed in recent history - are expected to advance in London

this week.

Arab banking sources expect
the funding to be channelled through the Kuwait investment Authority (KIA), acting as country's legal borrow-

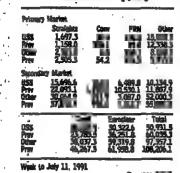
ing entity. Kuwaiti authorities have already spoken with some banks to arrange loans to
the of rebuilding
Kuwait and to pay for their
obligations to the Allies. The
cost of rebuilding Kuwait is
satingted to be between \$200bs estimated to be between \$20bn and \$30bn.

Short-term funding in the form of repurchase agreements was recently secured. In addition, Kuwait has placed several orders – for example a Lubrary to replace those lost during the markets. ing the war. Funding venture in the under discussion. Some bankers, however, have expressed concerns about uncertainty about | III and political risk.

When bankers ing to Kuwait, they comparisons with Arabia. J.P. Morgan recently arranged three-year \$4.5bn syndication loan for Saudi Arabia a margin of % point over the London interbank offered rate (Libor). However, many bankers think a loan to Kuwait will be diffi-

cult price.
Another pointed out the while may pitching to borrow at margins of between % and percent age point over Libor, a margin

> EUROMARKET TURNOVER (\$m)



may be realistic"

The questions uppermost in bankers' minds are:

Who will be running Kuwait in five Many are worried I ruling al-Sabah family will have lost grip by then, I I there ment in the country. If the US and Britain push Kuwait mean Islamic fundamentalism? will the door like shot," UK banker.

Would Kuwait prepared to of existing security for loans? If it prepared to borrow against bond portfolios, for example, it would be to fund cheaply. However,

Ruwait would not. "Top quality borrowers don't give security. The didn't give security in their loan Kuwait is very unlikely to want to give security," according to one Japanese banker. ing to one Japanese banker.

Who would lend to Kuwait?
The Basle international capital adequacy rules require banks to set aside varying amounts of capital when they make loans, according to the status of the borrower. Kuwait has a full risk weighting, unlike Saudi Arabia, which means Kuwait is less etteration to be the contraction of the status of the less extraction to be the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the status of the sta less attractive to banks.

Kuwait's weighting might deter banks about meeting their capital adequacy requirements, and had i capital had Tokyo stock market slide. However, Japanese say they say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say they into say think Kuwalt likely to a combination export-related credits some general syndicated credits. They point Euwait could borrow more cheaply by arranging of one-year would eliminate and the political ahort-term loans could be used to supplement three-five-year syndicated loans.

> Sura Webb and Tracy Corrigan

INTERNATIONAL BONDS

Bankers plan talks Interest in long-dated corporate issues alive and well

in long-dated sterling bonds week, with Steel,
British Ports
TSB all raising long-term
finance from UK life compa-

will institutional demand while the digested, in his week that institutional tite for long-dated corporate bonds a series and series

However, templating a long-dated sterling bonds must the benefits of tional appetite for against the locking

THE Was a flurry of activity to long-term finance with the ling interest widely

expected a fall,
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available, and much more expensive, in in Corporate lending margins have dramatically

our the past you also es banks have sought to betall lending margins and return on capital. In addition, a bond issue can actually be used to free lines of bank credit by selling paper to long-term savings institution using lands, and using lands.

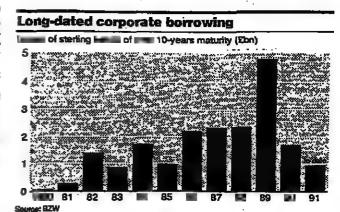
to repay bank debt.
This objective is often harder to achieve. In he buy high-yielding corporate in and use the paper for "asset swaps"

— in which the bank can
exchange fixed-rate asset for a floating-rate to the floating-rate stream of income above In Land.

The only are to of ing an investor base dominated by life papers and pension in which banks have lit-

However, analysts do not provided the portfolios further in favour bonds depth I the recession III merice clear, but more fund In addition, government expected in a second in the second £1bn and no of long-dated

Simon London



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- Largest Pharmaceutical Company in Hungary
- 10 Unparalleled Access to the USSR and Eastern European Markets
- Excellence in Research and Development

Section 2.



Glaxo Holdings p.l.c.

¥20,000,000,000

4.3% Samurai Convertible Bonds Due 1998

ISSUE PRICE 100 PER CENT

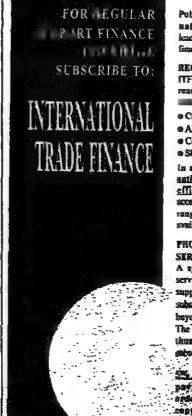
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KOKUSAI Securities Co., Ltd. Sanyo Securities Co., Ltd.

WORLD ST	OCK MARKETS
AUSTRIA FRANCE (continued) GERMANY (continued) METHERLANDS SWEER (continued) 1991 Price 1991 Price 1991 Price High Low July 12 Sct: High Low July 12 Frs. High Low July 12 Em. High Low July 22 Fis. High Low July 12 K	CANADA
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FINANCIAL TIMES MONDAY JULY 15 1991 CURRENCIES, MONEY AND CAPITAL MARKETS **MONEY MARKET FUNDS MONEY MARKETS** Mat COME THE **POUND SPOT - FORWARD AGAINST THE POUND Money Market** LONDON RECENT ISSUES Co-operative Bank PP Res 300, Skeinerstele, Lancs 12534 12534 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 12535 1253 Bill curve vanishes Day's spread One month % Three Months 92 Class EQUITIES Trust Funds 0.72-0.70cpm 0.20 1.70 0.20 0.34 cpm 2.07 1.70 cpm 1.70 0.13 0.05 cpm 1.70 0.13 0.05 cpm 1.70 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.70 cpm 1.96-1.95pm 1.14-1.01pm 1.1-1.10pm 1.1-1.10pm 2.9-24pm 4.1-3.1pm 0.30-2.00pm 1.1-1.1pm 2.5-375sc 2.44km 2.1-1.1pm 1.1-1.1pm 9.1-6.1pm 1.1-1.1pm 1.1-1.1pm Gross Net CAR Line Am'nt Latest 1991 Pald Resent High Low Closing Price CAF Mostey Management Co 1:hi 48 Pembary Read, Toetridge TH9 2:10 07. Cafetath Deposit Fund., 11.31 11.41 11.10 Deposits Ger (2 million. 11.5) 12. THE BANK of England sent 1 and band bills. 1 and band ■ bills. The banding of the bills represents the the time ■ maturity. Band 1 bills expire within 14 days, band 2 in 15 to 33 days; band 3 in 34 to 63 days; and band 4 in 64 to 91 days. Before Friday morning's early assistance the official dealing rate for band 1 bills was 11% per cent and the rate for band 2 was 11% per cent. If dealing in longer dated bills the yield curve would have continued its downward slope. 0732770114 - 11.80 -- 11.91 -- 12.02 two signals to the London M1232 N7.5 2.5 5.0 10.9 meney market last week. The first was on Thursday when by The COIF Charities Deposit Account 2 Fore Street, London ETZY SAQ 0771-588 1815 Deposit LTY - 111.791 providing late assistance via overnight lending to the discount houses the authorities hinted that a cut in bank base rates was likely to be sanctioned on Friday. This was significant because of newyons. Thursdaye when Cent. Bd. of Fin. of Church of Englandtt 2 Fore Street, London ECZY 540 071-388 1015 0x1cct. 11.30 -11.791 40253 Chests & Cs Reserve Accessed* 40 Stream, London WCZR DOS 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 771-753 1000 #95% 5.9 2.9 87 #6.55 1.7 92 8.5 M4.13 - 5.2 on previous Thursdays, when the central bank wished to **DOLLAR SPOT - FORWARD AGAINST THE DOLLAR** downward slope. UK clearing bank base lending rate 11 per cent from July 12, 1991 The last time the authorities **Money Market** UK1 1.6025 - 1.6500 1.6490 - 1.6500 irelandt 1.4550 1.4875 1.4865 - 1.4875 Canada 1.4550 1.4875 1.4865 - 1.4875 Canada 1.4455 - 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 1.4975 Bartington & Cu List Investment A/C 70 Price St, Briston BS, 440 0277 21526 530,000-524 999 10.55 55,000-624 449 dealt in **B** bands at the same deaft in the bands at the same rate the nearly three ago, but on Friday the bought in bands 1 and 1 at 10% per cent. Dealers said that by removing the bank of England had effectively signalled that this that this the present round of base the cuts. **Bank Accounts FIXED INTEREST STOCKS** AIB Bank High Interest Cheme Account Sciences Rt. University USB 15x 2500-50,799 490 7,38 10.92 - Although Market Sciences Account Sciences Rt. University USB 15x 2500-50,799 490 7,38 10.92 - Although Market Sciences Account Sciences Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. University USB 10.92 - Rt. 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Rds. 2006 | 9944 | -14 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 107p 1104 100½ 22½p 104½ 1034 103½ Affices Hume Bank pig 30 City Road, ECLY 2AY Tresury Acc. 9.50 Hole Ch. 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(180 CIVM) | Circhank pic High Interest Cheque Acc | 10 Milk St. London ECAV S.H | 077-600 6020 | 10 Milk St. London ECAV S.H | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 confirm hopes of base rate confirm hopes of base rate cuts, but perhaps a more important signal provided on Friday, time that the Bank of England cut its dealing rates - prompting an immediate reduction of a signal but its period in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the cont in the All and Trust Bank Ltd. 77-101 Camen St. Louis. 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Kleinwert Benson Ltd RIGHTS OFFERS **EXCHANGE CROSS RATES** point in 11 per cent in larates - it allo price differential between band Amount Lanest Palel Resourc up Date Classing Price # | High Performance Change Account | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Control Change | Cont Lieyis Bank — Ervestment Acceunt 71 Lembard S, Lendon ECP 365 150.000 and above — 11.40 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 25.000 — 11.00 be looking to keep rates at 11 per cent for several months. July,12 II S will Year F Fr. S Fr. H FL Line iii S Fr. ECU I 1 1,649 2,950 225.5 10.02 2,555 3,325 2197 1.890 60.85 1,438 **£ IN NEW YORK CURRENCY MOVEMENTS** 0.339 4.11 1 3.41 1.11 1.127 744,7 0.641 1.12 0.487 Bank of England Index John 12 Previous Clear Close 1.6485-1.6490 0.72-0.70pm 2.01-1.96pm 5.90-5.80pm 5.45-5.36pm -21.5 Lin. 0.455 0.751 LPU 102.6 1.54 1.163 LHU 1000. 6 10 LLT LAN BPr. 131 1.561 181 16.47 111 144 141 3.106 100. STERLING INDEX 1.147 EARL 1.56.8 EARL 1.777 EARL 1.314 EARL 1 July 12 Previous Buyal Basis of Scotland ple Premium Ace 42.5t Astrev Sa, Editorup ER2 27E (01-225-54) 125.000-247-979 17.70 10.56 125.000-247-979 17.70 10.56 125.000-247-979 18.80 4.80 89.6 89.8 89.8 89.9 89.8 89.9 90.0 90.2 🔤 per 1,000: French Fr. per 📭 Ura per 1,000; Belgian Fr. per 100. **EURO-CURRENCY INTEREST RATES** Save II. 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PO Box 25, Sorthamper OTHER CURRENCIES 103 - 108 65 - 85 85 - 85 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 91 - 95 104 - 103 6B - 6B 94 - 85 94 - 94 7B - 94 95 - 95 11B - 115 95 - 95 95 - 95 95 - 95 95 - 95 BANK OF ENGLAND TREASURY BILL TENDER Sterling Bank & Trust Ltd Abbry Edm. 6 Abbry St. Reading REL 18A 0734 982543 HIDA 62,500+ 12.15 411 12.58 Benchmark Bank FLC Pressier Account 56 Resona Street, W17 3.0. 077.451 3513 52 500-510 000 17, 7, 125 9,94 50,000-60,000 19,70 19,71 20,000 10,80 10,80 10,80 Tymball C Line 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. Briston 15.5 Prisons Victoria St. CURRENCY RATES WEEKLY CHANGE IN WORLD INTEREST RATES Unified Descriptions Trent Light PO Box 125, Abbry St, Renting NEI 308 0734 560411 Contact Plan Chemic Account 10,000 p.m. 10.50 p.m. 10.92 -0.696,780 1.12913 1.29590 14.4676-42.3001 7.94730 2.05558 2.31483 6.96730 1528.84 156.385 2.01175 128.706 128.706 1.718346 284.325 2.718346 July.12 change July,12 change Long term Eurodollars; but years 7½-7½ per cent; three years 7½-7½ per cent; hou years 8½-8½ per cent; free years 8½-8½ per cent; street per set services. Short pero retes are cell for US Dollars and Japanese Yes; other, pero days' again, Caledonian Bask Pis 85. Andrew Squara, Ediabarth D12,2PP 002 556 8215 85. Andrew Squara, 120.50 7.8751 HEW YORK -0.05 -0.05 -0.05 -0.05 11 111 10.459 105 105 1 J. Henry Wag & Co 977-388 600 Pt. Denside, Louisin SCXV 605 977-388 600 Pt. Denside, Louisin SCXV 605 977-388 600 Pt. Denside Research 1155 446 1154 -FT LONDON INTERBANK FIXING FIMAKFURT 9.00 8.875 4.025 Chach'd Chach'd Chach'd 1 **POUND - DOLLAR** The fixing rouss are the arithmetic manus counted to the pointed, our choiceasth, of the hid and offered return for \$10m counted to the position by five reference banks at \$11.00 a.m. such working day. The banks are Railsoni Westmisster Back, Bank of Tolya, Deutscha Bunk, Banque Hatlonal de Paris and Morgan Garranty Treet. Winshieden & South West Finance PLC 114 House S. Lamin FCI 7AE 077-606 9405 Heb in Chape Ass. 1146 Auss leterwert.len Rate ... One milk, interback . Three month 94 98 98 H. 1448 1.6454 1.6599 1.6148 1.5926 A Short rate refers to control bank discourse come. These are not enough by the UK, Spales and Iroland, § European Convention Coloridations. **All SDR colors are for Jul 22. 컍 냺 1 À 100-1702-100 ft per f. **MONEY RATES** Tyderiale Bash PLC 80 St Viscost Place, 64 5500 61 2HL 52 000-119 999 873 200,000-669, 991 9,70 Treesury Bills and Bonds CHICAGO FINANCIAL TIMES STOCK INDICES 84.92 93.83 1928.4 222.8 1198.28 2510.5 84.94 93.57 1905.4 218.4 1189.20 2487.9 127,4 105,4 2014,5 734,7 1238,57 2545,3 85.88 94.84 2014.5 222.8 1232.32 2545.3 1165.54 82.17 90.59 1606.3 127.0 987.46 2054.8 84.80 93.35 1911.8 216.8 1189.05 49.18 50.53 43.5 84.66 93.43 1891,3 219.0 1181,25 93.55 1918.1 222.7 1197.17 2508,4 FREE FREE FRE Fixed Interest Ordinary Gold Mines 8,40-8,95 74,77 8,92-8,6 772-77 115-115, 81,-0 91,-91 FT-Act All Share FT-SE 100 2497.4 1107.36 1162.84 **LONDON SHARE SERVICE LONDON MONEY RATES** 16 33 **BRITISH FUNDS BRITISH FUNDS - Contd** INT. BANK AND O'SEAS Price | Int % Last | Jelsout | City- Amend | E diape of Bon | East | East | 92.772 15,104,11 1999 - 1991 - 1787798 121212111111111111 THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE STATE OF THE S **CORPORATION LOANS** COMMONWEALTH & 3 5.13 6.48 **AFRICAN LOANS** 7.55 38th Book 87-92 April 90 7.1 77to 7Augl -LOANS

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Jointly compiled by The Financial Times Limited, Goldman, Lade & Co., and County Hallwest Ward In conjunction with Im Institute of Administration and the Faculty III Actuaries

NATIONAL AND REGIONAL MARKETS			JFR	IDAY JU	LY 12 19	91	-		·	THURSD	AY IIDEI	11 1991		DOL	LAR IND	EX
Figures in parentheses show number of lines of stock	US Dollar Indax	% chg (\$) aloce 31/12/90	Pound Sterling Index	Yén Index	DM Index	Local Currency Index	Local III chg trom 31/12/90	Gress	US Dollar	Pound Index	Yen	DM	Local	1891 Fligh	Low	Year ago
Australia (69)	142,68	+20.9	128.24	123.33	132.71	188 87	+21.2	5.21	142.4	131.28	124.74	MINT	186.60	P(2.30	112.74	074 74
Austria (20)	175.75	- 10.6	157.97	151.93	10.47	IMALO	+8.7	1.66	175.03	111.00	110	440.40	196.30	222.37 151.20	121.73	271,74 152,33
Belgium (49)	126.64	-4.2	113.83		117.79	115.24	+14.2 +5.7	5.12	138.37	114.22 127.54	721	118.12 131.89	115.18	101.20	121.73	140.47
Canada (115)	138.93	+6.8	124.87	120.09	129.21	1116	* III.V	1.50	130.37	223.90	23 A / B	231.55	710,10	270.56	177.18	265.10
Denmark (37)	248,93	+7.0	223.74	215,19 81.55	231.53	.36	100.0	2.82	00.45	85.22	80.97	88.13	85.21	3,13	NA.CH	100.10
Finland (16)	94.34 126.64	-8.5 -3.9	84.80 113.83	01.33	117.78	101 Au	+ 14.7		CALA	112.37	108.19	117.75	120.39	123.30	23.6	10.00
France (113)	108.72	-4.6	95.92	100	99,26	UH 26	+ 14.1	2.26	(D) (2)	95.28	54.0		10.00	120.00	III 2 M	100.00
Germany (65)	163.50	+34.2	146.95	MIX	152.08	WILLIAM VI				149.61	142.15	154.73	161,84	$\sim \infty$	0.00	144.49
Hong Kong (55)	140.46	-5.4	126.25	121.42	100	153.11	+13.1	3.84	200	128.07	121.69	100	114.34	100	100	187.47
	72.52	-7.4	65.18	62.69	67.45	13.08	+9.4	3.24	70,97	10	12.77	67.65	1884	10.0	70.54	im or
Japan (474)	128.86	+3.3	115.82	111.39	III III III	111.39	+4.1	0.76	126.80	116.87	111.05	120.88	111.05	125.20	118.35	- 1
Malavaia (68)	225.92	+6.5	203.06		210.13	141 (8	1.64	2.72 1.49	226.80	1000 11	198.62	26618	3588.10	247.78 1092.84	100.0m	523.24
Mexico (16)	1092.84	+87.0	982.25	944.67	1016.44	100.00	+ 18.6	1.48	701	1003.11 120.37	114.37	157.4E	123.08	1082.04	151.73	145.61
Netherland (31)	132.96	-0.7	119.50	114.93	130.00	100.00	+ 16.0	7.71	48.48	44.68	13.4	46.27	123.00	54.64	41.18	170.01
New Zealand (13)	48_14	+ 10.9	43.27	41.62	44.78	183.42	+ 12.5	1.60	189.09	174.29	185.60	180.25	183.31	223.24	182.24	249.29
Norway (32)	193,12	-5.5	173.58	166.94	179.62 178.42	163.42 154.66	+21.2	2.21	191.97	176.94	168,13	182.99	155.48	208.25	151.63	207.57
Singapore (38)	191.84	+20.4	172.42	165.83 219.35	236.01	171.48	+ 25.9	3.19	255.76	235,74	223.98	243.79	174.16	255.76	173,00	178,12
South Africa (61)	253.76	+38.7	228.08	122.76	132.09	121.25	+ 19.4	4.42	137.49	126.72	120,41	131.05	119.78	171.12	131,51	181.12
Spain (55)	142.02	+1.2	127.65 172.46	165.86	178.47	184.20	+38.7	2.45	188.56	173.80	165.14	179.74	185.00	204.12	148,60	230,52
Sweden (28)	191.87	+20.3	81.63	78.51	84.48	87.22	+24.1	2.21	87.72	80.85	76.83	83.63	88.41	100.67	82,17	109.77
Switzerland (58)	90.82	-0.9	147.80	141.94	152.72	147,60	+16.0	4.97	160.85	148.26	140.86	153,31	148.26	187.44	158 <u>.2</u> 7	173.29
United Kingdom (240)	164.21	+ 15.5	138.36	133.07	143.18	153.94	+ 15.5	3.14	152.65	140.70	133.70	145,52	152.65	158.24	125,95	148.34
USA (526)	153.94	T 13,3						0.00	400.00	110.00	117.00	460.07	404.04	151 50	125,50	155.05
Europe (837)	132.08	- 1.9	118.67	114.13	122.80	121.25	+16.2	3.93	128.89 180.92	118.80 166.76	112.88	122.87	121.24	151.52 200.81	155.55	215.67
Nordic (†11)	184.77	+10.2	166.07	159.72	171.85	169.08	+29.8	1.94			158.45	172.46	169.10	145.92	117.86	152.61
Pacific Basin (717)	130.12	+4.8	116,95	112.48	121.02	113.09	+5.7	1,11	128.20	118.17	112.28	122.21	112.77	147.66	121.29	154.01
:Euro - Pacific (1554)	131.20	+ 1.9	117.93	113.41	122.03	117.13	+9.8	2.24	128.80	118.72 139.81	112.79 132.86	122.77 144.62	116.93 150.13	157.04	125.91	147.76
North America (641)	152.93	+15.0	137.45	. 132.21	142.26	151.35	+ 14.9	3.15	151.69	101.08	96.07	104.56	105.56	129.80	106.85	142.57
Europe Ex. UK (597)	112.61	- 2.5	101,22	97.38	104.76	105.93	+ 16.4	3.17	109.67	131.00	124.49	135.49		145.66	111.40	142.31
Pacific Ex. Japan (243)	142.46	+23.0	128.04	123.16	132.51	127,97	+23.5	4.38	142.12 131.04	120.78	114.78	124,92	118.35	148.16	122.32	154.01
-World Ex. US (1746)	133,33	+29	119.84	115.26	124.02	118.51	+ 10.3	2.29	131.04	124.51	118.31	24.92	127.14	145.77	120.06	148.65
World Ex. UK (2032)	136.88	+8.4	123.03	10.00	127.33	127.77	+11.8	2.34 2.60	136.55	124.31	110,31	130,17	127.14 150.111	148.66	120,00	140.00
World Ex. So. Af. (2211)	138.51	+7.0	124.50	119,75	128.84		+12.0		130.33	132.95	10000	707.62	139.04	152.83	126,69	151.14
World Ex. Japan (1798)	146, 12	+9.3	OT AL	10.5	135.93	100	+ 16.3	3.47		192.00				102.00		
The World (2272)		+7.3	150	120.40	129,56	YA B	+12.2	2.61	137.35	indu	2.0	NO.	129,16	MA	100.00	150.83
Base	6 = 10	Finland	d: Dec 3	1, 1111	= 115.0	37 (US \$	index), i	100	(Pound S	Sterling)	and 94.9	4 (Local); Nordic	Dec 🔳	1988 =	139.65

(US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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The following constituent took place during the sending 1277/91: Delet Bundaberg Sugar (Australia) Climents Francais (France).

Name changes: Syarikat Telekom Malaysia to Telekom Bhd. (Malaysia) and Taisho Marine I Fire to Mitsul Marine & Fire (Japan).



Equatorial Bask pic..... Exeter Bask Limited Financial & Gen. Bank ... First National Bank Pic.

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Benchmark Bank
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(b) Figure in parenthrases show RPI base for induxing, (ie 8 months prior to tessed and have been adjusted to reflect rebesing of PPI to 100 in January 1987. Conversion factor 2-945, RPI for i licerarity 1990: 130.0 and for June 1991: 134.1.

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FOREIGN BONDS & RAILS



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28	LONDOM SHARE SERVICE	FINANCIAL TIMES WICHDAY JULY 13 1991 For Latest Share Prices on telephone ring direct-0836 43 + four digit code (listed below). Calle charged 45p per minute peak and 34p off peak, inc VAT	
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The following is a selection of Regional and Irish stocks, the
latter being quoted in Irish currency. | Local Field | High | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | April | **SHOES AND LEATHER** SOUTH AFRICANS Far West Rand Far West Rand

34.18tyroor 25c. | 142 | -2,7 | 5,3 | 11.2 | Mar Ang | 1867 | 148 | 30.2 | 149 | 2.1 | 2.9 | 1.7 | Feb. Ang | 2350 | 149 | 2.1 | 2.9 | 1.7 | Feb. Ang | 2350 | 145 | 20.5 | 15.5 | -6.7 | 1.0 | 1.2 | 1.5 | -6.7 | 1.0 | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1. TRADITIONAL OPTIONS 3-month call rates GRIN FAIRNES
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85 -3.4 - 20.9 Industrials) 67. SIMACM SOC.
61. SIMACM Gold.
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If you want to reach this important audience, call Louise Hunter on 071 873 3238 or fax 071 873 3079.

FT SURVEYS

Andrew Taylor in Frankfurt

Phone 49 - 69 - 7598118 Fax 49 - 69 - 722677 **FINANCIAL TIMES**

MONDAY INTERVIEW

Mandarin view of the market

Alan Lord, chief executive of Lloyd's, speaks to Richard Lapper and Peter Martin

r Alan Lord is clear and post-1982 for the general public and to those people who write newspapers for the general public," he says. quently reiterates, "a market man". Indeed the chief executo retire next June, retains the measured and slightly manda-rin air acquired during 27 years in the Civil Service, as he surveys the prospects of the deeply troubled Lloyd's insur-

vides back-up services for the market, after an unhappy spell as managing director of Dun-

lop, the tyre manufacturer.

Nevertheless his combina-tion of public and private sec-tor skills has served Mr Lord well at Lloyd's where he has steered through a programme of modernisation. The corporation's finances have been improved, its debt reduced and a start made on the task of reducing expenses and stream-lining management systems.

"Alan has brought some stability and ramped up the pro-fessionalism and calibre of the corporation's officers," says

one colleague.

The framework of self-regulation, by which the corporation rather than any government department clamps down on misdemeanours by underwriters and agencies on the market, introduced in 1982 after a number of scandals joited Lloyd's in the early 1980s, has been improved.

"It is my judgment that this is a clean market — we have had only one disciplinary case in the last 18 months and that was trivial," says Mr Lord.

Although Lloyd's is bedevilled by litigation between war-

individuals whose capital backs the market – and intermediaries, only one of the six groups of Names taking legal action is directly challenging the Lloyd's Corporation itself.

And most of the alleged malpractices in that case, which involves 33 members of syndicates formerly managed by before the 1982 act came into force. Mr Lord believes Lloyd's legal position in the case, launched in the High Court in April, is solid, and is deter-mined to fight it "inch by

He accepts though that bad publicity stemming from the case and related lobbying efforts by some of the Names involved has damaged the mar-

ket's reputation. "It is no good making the distinction between pre-1982

earlier enjoyed. In the early years of Mikhail Gorbachev's

rule, it was above all his ideas, and those of Dr Leonid Abal-kin, which were dominant:

communism could be reformed.

and (in Dr Aganbegyan's view) capitalism surpassed.

Dr Aganbegyan was in London yesterday, with Dr Abal-kin: both were speaking at the

European Bank of Reconstruc-

tion and Development's semi-nar on eastern Europe and the Soviet Union. Nothing of the old assumptions were left: on

the contrary, both are con-

vinced that only the market economy could save their country, and their reservations

are only those of men who

know how parlous and weak

the government they serve

But it is not just the problem

of their government. In the

course of his talk, Dr Aganbe-

gyan mentioned that Soviet cit-

izens, on average, spend 76 per cent of their income on daily

necessities, mainly food: there

is, he said, no market in hous-

ing, no market in pensions, in

insurance. in health - or in

any of the other various claims

on westerners' income. He was

describing a people whose psy-chology and daily existence is bounded by subsistence within

an economy which is rapidly

subsistence - a fearful, so far

docile, people who have had

almost no experience of the

But although Mr Lord's patient and bureaucratic style may have been effective in some respects, he also bears the stigma of any regulator.
"He is the ultimate bogey,"
says one Lloyd's man. "The view from the floor would not be flattering, adds another insider at the corporation. Moreover Mr Lord's tendency to take the long view and his measured style sometimes make him appear remote from the market's difficulties.

Names might interpret that distance as complacency. For example, the chief executive firmly rejects talk of crisis, and suggests that the media has

blown up what are in essense typical trading problems.

"One of things that creates a sense of crisis about a trading loss at Lloyd's," he says, "is that it is public knowledge which syndicates people are on you can then produce a pic-ture of a Virginia Wade or a

Tony Jacklin or some other household Name and see how they are affected." By comparison, says Mr Lord, "it is not customary to say" how much such people might have "lost in British & Commonwealth", for example. The poor results of 1988, the

market's first overall loss since "soft" pricing of the last three to four years, and a run of catastrophe losses — ranging from the Piper Alpha oil rig explosion to Hurricane Hugo. The weakness of the dollar in which Lloyd's syndicates receive up to 70 per cent of their income - aggravated difficulties.

Recently losses have fed through from pollution and aspestosis claims in the Uniter States decades after the incep-

"It can't be a crisis for a business to lose in one year rather less than it made in the previous year let alone the year before," says Mr Lord. Even in 1988 10,000 of Lloyd's Serious losses of £50,000 or more for example were concentrated among Names who were

members of syndclates special-ising in catastrophe reinsur-ance business. "There are a few unfortunate individuals with whom I have great sym-pathy...some Names have just hit the bad ones in spades," Mr Lord says. In the longer term he is clear

about the need for reform, to reduce the costs of doing busi-



'It is my judgment that this is a clean market'

the market's competitiveness. He fully supports the work of the Lloyd's taskforce, a group of senior market figures and advised by McKinsey, the managament consultancy. It will touch on all aspects of the ways Lloyd's does business, including the controversial issues of unlimited liability the principle that the Name is liable for any insurances down to his most insignificant per-

sonal possessions.

However, Mr Lord's pronouncments lack the sense of
urgency imparted by the market's chairman, Mr David Coleridge and other prominent
market figures recently.

Mr Lord with the contract of the cole

Mr Lord rules out any suggesting of incorporation - con-

PERSONAL FILE 1929 Born in Rochdale. 1948-50 Educated St John's

College, Cambridge. 1950 Joins Inland Revenue 1962 Inland Revenue Policy

1969 Board of Inland Reve-1971 Deputy chairman, Inland 1973 Principal financial offi-

Department of Trade and industry. 1975 Second permanent secretary, Treasury. 1977 Director corporate planning, Duniop.

1980-84 Group managing director, Dunlop. 1985- Deputy chairman and chief executive, Lloyd's.

verting Lloyd's and the various agencies that manage synd-clates and Names into one company - which he believes would reduce its attraction as an insurance market.

But he accepts that "mutu-alisation" — whereby all Names would collectively pay for losses incurred by Names shove an agreed maximum — is a possibility. This could be achieved by setting up a reinsurance company by the Lloyd's Corporation or by mak-ing individual reinsurance (or stop-loss) policies compulsory. But he warns that many players would be reluctant to accept it and a referendum might be necessary among

majority of people as being wealthy," he says. And he also knows how diffi-

cult the task of wringing tax concessions can be. Referring to his own experience at the Inalnd Revenue in the 1970s, "Having sat on the other side

of a boardroom table at Somer-

Even Mr Lord's optimism is tempered by his innate conser-vatism. He says he is a "great

deal more confident about Lloyd's than I was five years ago" because "the hard times of the last few wars have

the last few years have

taught people a number of lea-sons and have prepared them to look very widely at the way

But would Mr Lord join Lloyd's as a Name? "The answer is no and the reason for that is that I shall be 63 and you should join Lloyd's for a 20-year run Although I have

20-year run. Although I have

every expectation of living until I am 85 I am not going to bet on it."

Lloyd's members.
"A lot of people join Lloyd's strictly because they want to play for themselves — American Names will tell you if they wanted to join a unit trust they

would have joined one."

Mr Lord accepts that Lloyd's needs to improve its marketing skills to win back some of the specialised commercial insurance and reinsurance busines that it has lost over the pest two decades to its continental and north American company

The corporation will also continue to adopt a more aggressive approach towards marketing Lloyd's overseas, although Mr Lord warns that the way business is organised at Lloyd's - agencies owe their chief responsibilities to individual Names rather than

to any corporate interest -makes it difficult to impose "strategic direction" from the Inland Revenue would help. Continental reinsurers in particular can establish a special category of catastrophe reserves which they can offset against tax. Lloyd's and

UK companies would benefit from the same treatment. We're going to have to crack this question of pre-tax reserv-ing or the whole of the insurance industry in this country will suffer," he says. Vitriolic criticisms of Lloyd's

in newspaper editorials also helped to persaude the govern-ment to reject Liloyd's efforts to win tax ralial for Names. And Mr Lord concedes that the hid for tax relief was always going to be difficult. "Politi-cally it is very difficult to give special tax relief to people who are perceived by the great

What Cleveland can teach the US

riving from the airport, you first see Cleveland as a bunch of skyscrapers sticking up out of a grim 19th-century landscape of fac-tories, cast iron bridges and rallway tracks. It is easy to believe that this was a cradle of the American industrial revolution and a home for mag-nates such as John D Rocke-feller and Andrew Carnegie. Coming from Washington, however, you wonder what possible relevance this museum-piece can have for today's bustling service economy. You hanker for the capital's marble monuments, lush foliage and self-confident chatter.

But first impressions are often deceptive. In important respects, this Ohio city on the shores of Lake Erie can claim to represent the future for America. In every previous post-war downturn, Cleveland suffered worse than the nation as a whole. This was notinet a reflection of its reliance on heavy industry: Cleveland's companies seemed dismally to underperform their industries nationally. In the early 1980s, for example, local manufacturing employment fell by about a fifth - more than double the national rate of contraction.

This time Cleveland seems

of a national downturn. "It's hard to tell that the recession even happened," says Mr Joseph Gross, a manager at LTV Steel. "Things have slowed down but house prices are still going up and every-body is talking about opportu-nities." Others are a little less bullish: some city services have been cut, marginal com-panies have failed, unemploy-ment is up. But there are many signs of continuing vitality. Society Bank, a hig local finan-cial institution, will soon move into a gleaming 60-storey tower in the rehabilitated downtown district. An array of construc-tion projects, including a \$350m sports stadium and an artaneira harbour redevalor. extensive harbour redevelopment are in train.

Economic statistics, more over, appear to confirm that Cleveland's decades of underperformance are over. In the year to April, manufacturing employment fell only 2 per cent in Cleveland compared



MICHAEL PROWSE on America

with 4.5 per cent nationally. Non-manufacturing employment rose by 1.1 per cent com-pared with a national fall of 0.1 per cent. A manufacturing pro-duction index for Ohio shows a much shallower decline than in the nation at large.

What explains Cleveland's new vitality? As in much of the mid-west, the "no boom, no bust" argument carries weight. In the 1980s, this capital-inten-sive region suffered the double blows of recession and chronic overvaluation of the dollar. There was no real estate boom. as on the east and west coasts, because the upturn was so delayed. Business confidence has thus not been undermined by the pricking of a property bubble. At the same time, the decline of the dollar since 1985 and the dramatic improvement in export profitability has transformed the outlook for Mayland, chief economist at Society Bank, also stresses the benefit to Ohio of much foreign - particularly Japanese - investment, such as the huge

Honda car plant at Marysville. But Cleveland is also doing a lot to help itself. The intense economic distress of the early 1980s prompted a much greater emphasis on partnership and co-operation than is common-in US communities. "In the 1970s, adversity ruled," saya Mr Richard Shatten, executive director of Cleveland Tomorrow, a committee of chief executives formed in 1982 to address local economic and social problems. "It was management versus unions, suburbs versus downtown and business leaders versus elected

officials." He argues that

Cleveland began to make prog ress once everybody started pulling together.
One of Cleveland's crucial resolves was that "manufactur-

ing matters". Many US communities swallowed the conve-nient fiction that a shift into low value-added services is a sign of increasing economic sophistication. Mr Shatten regards this attitude as "dead wrong". Cleveland Tomorrow against the trend of the 1980s - saw that it had to rebuild an outdated manufac-

turing base and become com-petitive in world markets. Rec-ognising that much prodding would be necessary to accelerate change, it launched the Cleveland Advanced Technology Programme (Camp). This makes aggressive attempts to persuade local companies to upgrade their technology, offers technical training, and promotes industrially-relevant R&D at local universities. Mr Stephen Gage, Camp's president, draws an analogy

between his efforts and the US agricultural extension programme of the 1920s and 1930s. He argues that US farms became the most efficient in the world only because federal agents aggressively sold the benefits of new technology. He believes a similar effort is now where most small and mediumsized companies are failing to reap the benefits of technological progress. Washington, he ents, is planning to spend \$30bn on a space station but will invest only \$12m in a handful of programmes like Cleveland's. "Where are our priorities?" he asks. Cleveland is still beset with

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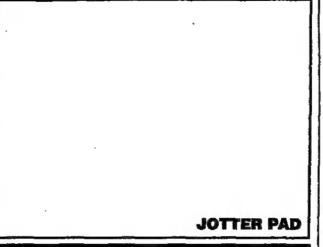
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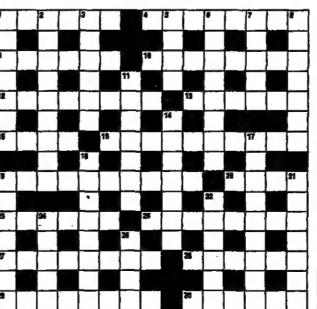
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problems. In the inner city, schools are in disarray; poverty rates are high and rising. But the spirit of co-operation forged in the 1980s appears to be producing results. Downtown is being transformed. The importance of manufacturing is understood as are the limitations of relying on Darwinian competition in free markets: With its priorities clear, Cleve-land should do well in a decade when the US's economic task is to repay debts by expanding exports. But then anything ought to be possible in the city



CROSSWORD

No.7,594 Set by DANTE



- **ACROSS**
- 4 Infantry consisting of a thousand bowmen (8)
 9 The gold glow of chestnut (6)
 10 Way to stop Henry becoming a writer (8)
 12 Crib clue for "melting pot"
- (A) 13, 25 Hot stuff (6,8) 15 Lead astray Helen's mother
- 16 Oddly comic place associated with a criminal, perhaps (10)

 19 Used by riders - but not riding breeches (6,4)

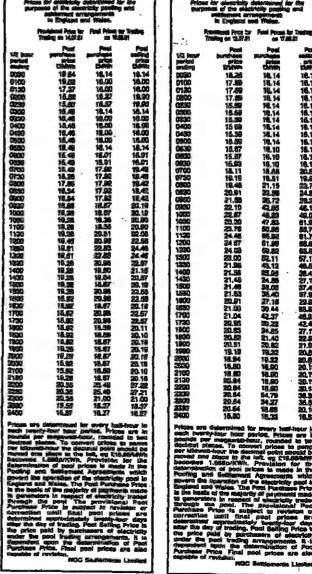
 20 Find the exact place (4)

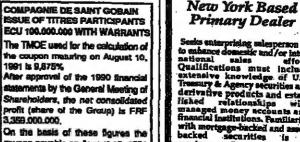
 23 One side of Glasgow (5)
- 25 See 13 27 First man to devise an outlet in wrought iron (8) 28 Entertainment that's a nice
- change to mother (6)
 29 Growing area, one with a shrub (6)
 30 Tasted, perhaps, and expressed an opinion (6)

- Opportunity given to a number in the church (7)
 About to spring on journalist, but recoiled (9)

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- 3 Loud Verdi composition full of fire and passion (6) 5 Not in favour of a hard worker being put over one
- Monument not chesp to build (8) 7 A girl goes inside to get help (5) 8 One hears it being broken
- 11 Locate unpleasant smell but this won't cure it (7)
 14 A false impression (7)
- 17 Seconds are tense (9) 18 League match (8) 19 Material for firing (7) 21 Do one's best, though it isn't easy (3,4) 22 Run the second edition (6)
- 24 He has a pound remaining - for pressing his suit? (5)
 26 One gentile about to become a Hindu ascetic (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 27.





On the basis of these figures the Coupon payable on August 10, 1991 will show an annual interest rate of 11.625%, Le. 5,8125% samestrial. Therefore the coupon payable or August 10, 1991 will be ECU 58,13 per titre participatif of ECU 1,000.

Series enterprising selesperson (s) to enhance domestic and/or international sales effort. Qualifications must include extensive knowledge of U.S. Treasury & Agency securities and derivative products and established relationships with managed money accounts and financial institutions. Familiarity with mortgage-backed and asserbacked securities is a requirement. Our employees have been informed of this notice; all responses will be held in strictest confidence. Write Box A1865 Financial Times, One Southwark Bridge London SE1 Sell.

Chrysler Financial Corporation US \$150,000,000 Floating Rate Notes due 1994 For the period from July 15, 1991 to October 15, 1991 the Notes will carry an interest rate of 65x5, per annum with an interest amount of US \$89.66 per US \$5,000 Note and of US \$995.60 per US \$50,000 Note. The relevant interest payment date will be October 15, 1991.

Agent Bank Banque Paribas Lüxembourg Société Anonyme

ness at Lloyd's and to improve Greatest political paradox soviet – on privatisation, on banks, which in turn have no areas of their own life which westerners take for granted that they control and shape. vors of perestroiks. He it was who, in the early 1980s, demonopolisation, on foreign investment – which have been explicitly designed to construct They have been rendered began pushing for a version of thus by the power structure a legislative floor for a properreform communism which which for decades has told would allocate to prices a much larger role than they had hitherto played, and to manag-ers more power than they had them that this is the way they

must live. That structure is seeking change, since it no longer wishes to continue running a system of more or less complete state provision. Yet the politicians, at least at union level, are those who rose to power under that system, and have not yet broken with it, or the party which controlled it. As Dr Abalkin said at the EBRD conference, the government needs political cons among the republics and among the various political

ty-owning democracy. In his press conference on irlday, Mr Gorbachev pledged allegiance to private property, privately owned land and an opening to the world market in which the Soviet Union would play by "the rules of the game".

"the rules of the game".

But radicalism is not enough. When Mr Gorbachev addresses the Group of Seven leaders at their economic summit on Wednesday, it does not finally, matter what he says it matters what judgment they make of his ability to deliver.

The Communist rulers are simply too frightened of the people to do anything other than make concessions to them

forces in the country to implement radical reform - and there is not such a consensus. The Communist rulers, to put it simply, are too frightened of the people to do anything other than make concessions to them - the classic posture of a party for which terror is no longer an option but on which democracy has conferred no

This has not, of course, meant that there have been no efforts to change. Mr Mario Nuti of the European Commission said at the conference that there have been no less than nine plans for economic reform since Dr Abalkin's in November 1989 - and they have tended to become more radical. Especially in the past month, Soviet legislation has been similarly radical. Bills have casAnd where the movement towards radicalism in the plan which the Soviet government is willing to endorse has been growing ever sharper, at the same time the ability of that government to put through any kind of plan, including one which returned to the old administrative command sys-

tem, is now approaching zero. In the past week, Mr Gorbachev agreed with the 10 most amenable republics an anti-cri-sis plan which largely agrees only to come back to the most difficult questions, and which gives away the central control mechanism of a federal tax, allowing the republics to contribute to the union budget "at their own discretion". Mr Victor Gerashchenko, the chair-man of the State Bank, admitted last week that he had no

control over the 2,000 commer cial banks which are now open ating in the economy. Hence the forecasts now being made within and outside of the Soviet Union that Mr

Gorbachev, at the height of his radicalism and at the very edge of renouncing, publicly, his communist beliefs, may be at the lower limit of his power. His very efforts to persuade the west over this past week that all is under control at home has made it the more transpar ant that he can only get a sam-blance of political unity at the cost of giving away the last shreds of coherence. He will face the Group of Seven in Lancaster House on Wednes-day with another vast panorama of change: a sweeping invitation to them to let their imaginations dwell on the consequences of absorbing the Soviet Union into the world

prospect. It will, there is less and less question, happen. But this really may be the last time in an orderly and peaceful fashion: or, as possibly, it may be that chance has already

The Group of Seven will, this week, be meeting the greatest paradox in world politics: a man who is arguably the most important political leader of his day – and the one with the least real power in the world.

John Lloyd

Ian Davidson is away. He will resume his column in Septem-